

CONFORMED COPY

LOAN NUMBER 7301-AR

Loan Agreement

(Provincial Road Infrastructure Project)

between

ARGENTINE REPUBLIC

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated April 18, 2006

LOAN NUMBER 7301-AR

LOAN AGREEMENT

AGREEMENT, dated April 18, 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Except as otherwise provided in the Loan Agreement, the proceeds of the Loan may be withdrawn to pay for taxes (excluding the export tax and the financial transaction tax) levied by, or in the territory of, the Borrower on the goods or services to be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) "CEU" means the central executing unit established within the coordinating unit of programs and projects with external financing (*Unidad Coordinadora de Programas y Proyectos con Financiamiento Externo*) under the jurisdiction of the Borrower's Ministry of Federal Planning, Public Investment and Services, or any successor thereto;

(b) "CREMA Contract" means a multi-year contract under Part A.1 of the Project, entered into by the corresponding Participating Province I or DPV (as the case may be) with a private sector contractor, which contract obligates the private sector contractor to undertake all phases of road rehabilitation and maintenance work as a single package, from design and programming of the works, through the execution of such works, with respect to an identified portion of the corresponding provincial road network;

(c) "CREMA Subproject" means any of the works under each CREMA Contract (as defined above);

(d) "DPV" means *Dirección Provincial de Vialidad*, the Provincial Road Department, which may or may not be vested with legal personality, or any other entity (which may or may not be vested with legal personality) with similar functions and responsibilities, all within the administrative jurisdiction of a Participating Province;

(e) "Eligible Categories" means Categories (1) through (5) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(f) "Eligible Expenditures" means the expenditures for goods, works and services referred to in Section 2.02 of this Agreement;

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

(h) “Fiscal Responsibility Law” means the Borrower’s law No. 25.917 dated August 4, 2004 (duly published in the Borrower’s official gazette on August 25, 2004), which establishes, *inter alia*, a federal regime of fiscal responsibility with the objective of ensuring fiscal sustainability at the provincial level, through the setting of general rules of fiscal behavior and the provision of greater transparency in public management, and such term also includes the regulations to said law;

(i) “Institutional Building Subproject” means any of the activities referred to in Part C.1 of the Project;

(j) “Operating Costs” means reasonable recurrent expenditures, based on annual budget previously approved by the Bank, that would not have been incurred by the Borrower, through the CEU, absent the Project for transportation and per-diem costs of the CEU staff, Project administration costs (including office rent), operation and maintenance of office equipment, and non-durable goods;

(k) “Operational Manual” means the manual referred to in Section 3.06 (a) of this Agreement, as the same may be amended from time to time with the agreement of the Bank;

(l) “Participating Province” means a Participating Province I and/or a Participating Province II, as the case may be;

(m) “Participating Province I” means any of the Borrower’s political subdivisions (as per title Two of the Borrower’s 1994 Constitution), which meets the eligibility criteria set forth in the Operational Manual (as defined above) to carry out any Subproject;

(n) “Participating Province II” means any of the Borrower’s political subdivisions (as per title Two of the Borrower’s 1994 Constitution), which meets the eligibility criteria set forth in the Operational Manual to carry out any Project activity under Part C.2 of the Project;

(o) “PMU” means any of the provincial management units (or any other unit with similar functions and responsibilities) referred to in paragraph (c) (x) (A) of Schedule 5 to this Agreement;

(p) “Procurement Plan” means the Borrower’s procurement plan, dated May 6, 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;

(q) “Report-based Disbursements” means the Borrower’s option for withdrawal of funds from the Loan Account referred to in Part A.5 of Schedule 1 to this Agreement;

(r) “Resettlement” means the impact of an involuntary taking of land under the Project, which taking causes affected persons to have their: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently;

(s) “Road Subproject” means any of the works referred to in Part A.2 of the Project;

(t) “Routine Maintenance Subproject” means any of the annual routine maintenance programs referred to in Part B of the Project;

(u) “SOP” means *Secretaría de Obras Públicas*, the Secretariat of Public Works established within the Borrower’s Ministry of Federal Planning, Public Investment and Services;

(v) “Special Account” means the account referred to in Part B of Schedule 1 to this Agreement;

(w) “Subproject” means a CREMA Subproject, an Institutional Building Subproject, a Routine Maintenance Subproject and/or a Road Subproject (as the case may be);

(x) “Subsidiary Loan” means a loan to be provided under a Subsidiary Loan Agreement I or under a Subsidiary Loan Agreement II (as the case may be);

(y) “Subsidiary Loan Agreement I” means any of the agreements 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; and

(z) “Subsidiary Loan Agreement II” means any of the agreements referred to in Section 3.05 (a) of this Agreement, as the same may be amended from time to time with the agreement of the Bank.

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to: (a) each Participating Province I in respect of the pertinent Subproject; and (b) each Participating Province II in respect of the corresponding Project activities under Part C.2 of the Project.

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 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. 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, 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.

Section 2.03. The Closing Date shall be June 30, 2012 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: (a) 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 (b) 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 April 15 and October 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 Part A.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 Part D of the Project, through the CEU, and in coordination with SOP, with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, social, engineering and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for said Part of the Project;

(b) cause each Participating Province I through the corresponding DPV (pursuant to the terms of the corresponding Subsidiary Loan Agreement I, as said term is defined in Section 1.02 (y) of this Agreement) to carry out the corresponding Subproject (as said term is defined in Section 1.02 (w) of this Agreement) with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, social, engineering, ecological and environmental practices, shall take and/or cause to be taken (as the case may be) all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable each Participating Province I to carry out the corresponding Subproject, and shall not take or permit to be taken any action which would prevent or interfere with the carrying out of said Subproject; and

(c) cause each Participating Province II, through the corresponding DPV (pursuant to the terms of the corresponding Subsidiary Loan Agreement II, as said term is defined in Section 1.02 (z) of this Agreement) to carry out the corresponding Project activities under Part C.2 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, social, engineering and environmental practices, shall take and/or cause to be taken (as the case may be) all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable each Participating Province II to carry out the corresponding Project activities under Part C.2 of the Project, and shall not take or permit to be taken any action which would prevent or interfere with the carrying out of said Project activities.

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. 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.

Section 3.04. (a) For purposes of carrying out any CREMA Subproject, Road Subproject and/or any Institutional Building Subproject under the jurisdiction of a Participating Province I and/or providing the assistance under Part D of the Project, as needed, the Borrower shall onlend the proceeds of the Loan allocated to Categories (1), (2) (a) and (c), (3) (a) and (c), (4) (a) and (c) and (5) set forth in Part A.1 of Schedule 1 to this Agreement (the Subsidiary Loan) to said Participating Province I under a subsidiary loan agreement (the Subsidiary Loan Agreement I) to be entered into between the Borrower and said Participating Province I under terms and conditions which shall have been approved by the Bank which shall include, *inter alia*, those set forth in Schedule 5 to this Agreement.

(b) (i) The Borrower shall exercise its rights (including its rights referred to in paragraph (b) of Schedule 5 to this Agreement) and carry out its obligations under each Subsidiary Loan Agreement I in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan in respect of any Subproject; and (ii) except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, terminate, waive or fail to enforce any Subsidiary Loan Agreement I or any provision thereof in a manner that impedes the accomplishment of the purposes mentioned in (i) herein.

Section 3.05. (a) For purposes of carrying out any Project activity under Part C.2 of the Project under the jurisdiction of a Participating Province II and/or providing the assistance under Part D of the Project, the Borrower shall onlend the proceeds of the Loan allocated to Categories (2) (b) and (c), (3) (b) and (c), (4) (b) and (c) and (5) set forth in Part A.1 of Schedule 1 to this Agreement (the Subsidiary Loan) to said Participating Province II under a subsidiary loan agreement (the Subsidiary Loan Agreement II) to be entered into between the Borrower and said Participating Province II

under terms and conditions which shall have been approved by the Bank which shall include, *inter alia*, those set forth in Schedule 6 to this Agreement.

(b) (i) The Borrower shall exercise its rights (including its rights referred to in paragraph (b) of Schedule 6 to this Agreement) and carry out its obligations under each Subsidiary Loan Agreement II in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan in respect of any Project activity under Part C.2 of the Project; and (ii) except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, terminate, waive or fail to enforce any Subsidiary Loan Agreement II or any provision thereof in a manner that impedes the accomplishment of the purposes mentioned in (i) herein.

Section 3.06. (a) Without limitation upon the provisions of Section 3.01 of this Agreement, the Borrower shall carry out the Project and/or cause to be carried out the same in accordance with the provisions of a manual (the Operational Manual), acceptable to the Bank, said manual to include, *inter alia*: (i) the eligibility criteria for selecting Participating Provinces (which criteria shall include, *inter alia*: (A) the presentation to the Bank of all potential CREMA Subprojects and/or Road Subprojects, and Routine Maintenance Subprojects to be carried out under the Project by the pertinent Participating Province I, which potential CREMA Subprojects, Road Subprojects and Routine Maintenance Subprojects shall be in line with the criteria referred to in (ii) below; and (B) a financial management system and procurement capacity, all acceptable to the Bank), and the action plans to be followed by Participating Provinces I to strengthen their financial management and procurement capacity; (ii) the technical, economic and environmental criteria for approving CREMA Subprojects, Road Subprojects and Routine Maintenance Subprojects; (iii) the environmental guidelines to be followed by the Participating Provinces I in carrying out the environmental screenings and/or assessments referred to in Section 3.07 and 3.08 of this Agreement; (iv) the institutional and administrative structure of the CEU and its functions and responsibilities; (v) the terms of reference for preparing the semi-annual reports referred to in Section 3.10 (b) of this Agreement; (vi) the terms of reference for preparing the annual reports referred to in Section 3.14 (a)(ii) of this Agreement; (vii) the terms of reference for the professional and administrative staff of the CEU; (viii) the Project's chart of accounts, internal controls, and budgeting, accounting and financial reporting systems; (ix) the FMR formats; (x) the terms of reference for carrying out the Project audits under Section 4.01 (b) (i) of this Agreement; (xi) the Project disbursement and procurement procedures (including a price methodology whereby the price of CREMA Contracts under Part A.1 of the Project will be adjusted as provided in Part C (b) of Section I of Schedule 4 to this Agreement); (xii) the Project's standard bidding documents for CREMA Subprojects and Road Subprojects (which shall include, provisions: (A) to minimize natural habitat conversion or degradation and to permit the maximum growth of natural vegetation (whether it is native grasslands, scrublands, or forests) within the pertinent right of way; and (B) whereby the contractor must comply with the pertinent provisions of the corresponding environmental management plan (as referred to in Section 3.07 of this

Agreement)); (xiii) the Project indicators; (xiv) the technical targets to be achieved by Participating Provinces I in carrying out each Routine Maintenance Subproject, which targets will enable the Borrower to monitor/measure satisfactory completion of the works under each Routine Maintenance Subproject; and (xv) the terms of reference for the design of the procurement information system referred to in Section 3.16 of this Agreement.

(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 3.07. Without limitation to the provisions of Section 3.01 (b) of this Agreement, and upon approval by the Bank of a CREMA Subproject and/or a Road Subproject, the Borrower shall cause the corresponding Participating Province I, through the pertinent DPV, to: (a) prior to the commencement of any works under said CREMA Subproject and/or Road Subproject (as the case may be), carry out an environmental screening and/or an environmental assessment (as the case may be) of the pertinent works, and if determined by the Bank, approve an environmental management plan, acceptable to the Bank, for each said works (which plan shall be based on the results of the environmental screening and/or environmental assessment mentioned herein, and the Bank's comments on the results of said screening and/or assessment, if any), all in accordance with the provisions of the Operational Manual; and (b) immediately after said approval, implement and/or cause to be implemented (as the case may be) the corresponding environmental management plan in accordance with its terms.

Section 3.08. Without limitation to the provisions of Section 3.01 (b) of this Agreement, and upon approval by the Bank of the annual Routine Maintenance Subproject of the corresponding Participating Province I, the Borrower shall cause said Participating Province I, through the pertinent DPV, to: (a) prior to the commencement of any works for an annual Road Maintenance Subproject, carry out an environmental screening of the pertinent works in accordance with the provisions of the Operational Manual; and (b) if applicable, immediately after the carrying out of said environmental screening implement and/or cause to be implemented (as the case may be) all actions identified in said environmental screening to mitigate any potential negative environmental impact.

Section 3.09. (a) The Borrower shall operate and maintain, at all times during Project implementation, the CEU with a structure, functions and responsibilities acceptable to the Bank, including, *inter alia*, the responsibility to assist the Borrower (in coordination with the SOP) in: (i) the carrying out of Part D of the Project; and (ii) the monitoring, coordination and supervision of the Project.

(b) The Borrower shall ensure that the CEU is, at all times during Project implementation, headed by a Project coordinator and assisted by professional staff

(including, highway engineers, a transport economist specialist, an institutional strengthening specialist, a financial management specialist and a procurement specialist) and administrative staff, all in numbers and with qualifications and experience acceptable to the Bank.

(c) The Borrower shall, not later than two months after the Effective Date, employ the procurement specialist referred to in paragraph (b) of this Section.

Section 3.10. The Borrower shall:

(a) maintain, and cause each Participating Province to 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 objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and to furnish to the Bank, not later than thirty days after the end of each calendar semester during Project implementation (starting with the report due in January 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 the Participating Provinces not later than July 31 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 objectives thereof, based on the conclusions and recommendations of the said reports and the Bank's views on the matter. As part of the annual review to be carried out in: (i) the year 2006, the Borrower shall assess with the Bank the provincial demand of Project participation, and thereafter, if appropriate, shall take corrective actions (acceptable to the Bank) so as to increase said provincial demand; and (ii) the year 2009 (the mid-term review), the Borrower shall also review with the Bank and the Participating Provinces: (A) the amount of Loan proceeds which, as of the date of the mid-term review, have not been committed to Participating Provinces, through the corresponding Subsidiary Loan Agreement I and/or Subsidiary Loan Agreement II; and (B) the report referred to in Section 3.11 (b) (i) (B) of this Agreement. If, as of the date of the mid-term review, the Bank determines that there are outstanding Loan proceeds which have not been committed, the Bank may decide to increase the amount of one or more existing Subsidiary Loans, provided that the relevant Participating Provinces have expressed written interest of increasing the amounts of their Subsidiary Loans and

commitment to undertake all legal and administrative actions (acceptable to the Bank) to increase the corresponding Subsidiary Loan.

Section 3.11. (a) The Borrower shall: (i) not later than six calendar months after the Effective Date, prepare (under terms of reference acceptable to the Bank) and approve the baseline indicators referred to in Part D.3 of the Project; and (ii) immediately thereafter, assess, on an ongoing basis, the Project impact in accordance with said baseline indicators.

(b) Without limitation to the provisions of paragraph (a) herein, the Borrower shall: (i) not later than July 31, 2009: (A) carry out a mid-term impact assessment of the Project in accordance with the baseline indicators referred to in paragraph (a) above, which assessment shall take into account the enhanced roads condition, the transport costs, production opportunities, job generation and road safety; and (B) prepare and furnish to the Bank, a report, acceptable to the Bank, reflecting the results of said mid-term assessment; and (ii) not later than July 31, 2011: (A) carry out a final impact assessment of the Project in accordance with the baseline indicators referred to in (a) above, which final assessment shall also take into account the same variables mentioned in (i) (A) herein; and (B) prepare and furnish to the Bank, a report, acceptable to the Bank, reflecting the results of said final impact assessment.

Section 3.12. The Borrower shall ensure, and cause each Participating Province (through its corresponding DPV) to ensure, that any works to be carried out under any CREMA Subproject, Road Subproject and/or Routine Maintenance Subproject do not involve any Resettlement.

Section 3.13. 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 3.14. (a) The Borrower shall cause each Participating Province I to: (i) not later than December 31 of each calendar year of Project implementation (starting in the year 2006), prepare and furnish to the Bank the corresponding annual road investment program (acceptable to the Bank) to be carried out during the calendar year following the date of presentation of said program (which program shall include, *inter alia*, the CREMA Subprojects and/or the Road Subprojects, and the Routine Maintenance Subprojects (including their contract modalities) to be carried out during said given year, and an adequate budget to finance the same); and (ii) not later than sixty calendar days after the end of each calendar year of Project implementation (starting in the year 2006), prepare and furnish to the Bank, a report of such scope and in such detail as the Bank shall reasonably request concerning the list of the CREMA Subprojects, Road Subprojects and Routine Maintenance Subprojects (including the source of financing and

the amount allocated for the financing of said CREMA Subprojects, Road Subprojects and Routine Maintenance Subprojects) carried out during the calendar year immediately preceding the date of presentation of each said report.

(b) The Borrower shall cause each Participating Province I to, immediately after the presentation to the Bank of each annual road investment program referred to in paragraph (a) of this Section, disclose the same to the public in a manner acceptable to the Bank.

Section 3.15. The Borrower shall cause each Participating Province I to: (a) not later than December 31 of each calendar year of Project implementation (starting in the year 2005), carry out an annual road and traffic survey under terms of reference acceptable to the Bank; and (b) not later than six months after the carrying out of each of said annual survey, prepare and furnish to the Bank a report of such scope and in such details as the Bank shall reasonably request concerning the outcome of said surveys.

Section 3.16. The Borrower shall: (a) not later than six months after the Effective Date, establish (in a manner acceptable to the Bank) a procurement information system so as to, *inter alia*, reflect information concerning the Borrower's and the Participating Provinces' procurement processes; and (b) immediately thereafter, implement said system in a manner acceptable to the Bank.

Section 3.17. Without limitation to the provisions of Section 4.01 (a) of this Agreement, the Borrower shall not later than one calendar year after the Effective Date, develop a new financial management information system (in a manner acceptable to the Bank), and thereafter replace the current system with said system.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain 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 reports referred to in Part A.5 of Schedule 1 to this Agreement (Report-based Disbursements) or 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 reports and 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 3.10 (b) 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: (i) the first calendar semester after the Effective Date if Loan proceeds are not disbursed based on Report-based Disbursements; or (ii) the first calendar quarter after the Effective Date if Loan proceeds are disbursed based on Report-based Disbursements, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar semester or quarter (as the case may be); thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent calendar semester or quarter, and shall cover such calendar semester or quarter (as the case may be).

Section 4.03. The Borrower shall ensure that each Participating Province I shall have agreed (through the pertinent Subsidiary Loan Agreement I) to, *inter alia*, establish adequate mechanisms and/or undertake the appropriate actions to maintain compliance, at least during Project implementation, with the provisions of the Fiscal Responsibility Law (or with the provisions of a fiscal framework consistent with the principles and parameters embedded in the Fiscal Responsibility Law in case a Participating Province I has not adhered to said law), so as to achieve fiscal sustainability.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02(p) of the General Conditions, the following an additional event is specified, namely, that as a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that any Participating Province will be able to perform any of its obligations under the corresponding Subsidiary Loan Agreement I and/or Subsidiary Loan Agreement II.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01(c) of the General Conditions:

- (a) the Operational Manual has been approved by the Borrower;
- (b) at least one Subsidiary Loan Agreement I has been signed by the parties thereto; and
- (c) that all action, satisfactory to the Bank, has been undertaken by the Participating Province I for which a Subsidiary Loan Agreement I has been entered into in satisfaction of the condition referred to in paragraph (b) of this Section, in order to permit the corresponding Participating Province I to carry out the procurement of goods, works and services in accordance with the provisions of this Agreement.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02(c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

- (a) that the Subsidiary Loan Agreement I entered into satisfaction of the condition set forth in Section 6.01 (b) of this Agreement has been duly authorized or ratified by the Borrower and the corresponding Participating Province I and is legally binding upon the Borrower and said Participating Province I in accordance with its terms; and
- (b) that the actions referred to in Section 6.01 (c) of this Agreement have been taken and no other action on behalf of the Participating Province I in question is required to permit the procurement of goods, works and services in accordance with the provisions of this Agreement.

Section 6.03. The date July 17, 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) 4349-8815

With a copy to:

CEU
Hipólito Yrigoyen 250
Piso No.12-Oficina No.1201
C1109ADA, Buenos Aires
Argentina
Facsimile: (5411) 4349-7593

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) 477-6391

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/ Axel van Trotsenburg
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Felisa Miceli
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

A. General

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) Works:		
(a) under CREMA Subprojects	96,370,000)	75%
(b) under Road Subprojects	25,030,000)	
(2) Goods:		
(a) under Institutional Building Subprojects	2,600,000))	100% (except as provided in Section 5.08 of the General Conditions)
(b) under Part C.2 of the Project	750,000)))	
(c) under Part D of the Project	120,000)	
(3) Consultants' services:		
(a) under Institutional Building Subprojects	1,500,000)))	100%
(b) under Part C.2 of the Project	750,000)))	
(c) under Part D of the Project	2,000,000)	

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be financed</u>
(4) Training:		
(a) under Institutional Building Subprojects	900,000))	
(b) under Part C.2 of the Project	500,000))	100%
(c) under Part D of the Project	200,000	
(5) Operating Costs under Part D.1 of the Project	680,000	100%
(6) Front-end fee	750,000	Amount due under Section 2.04 of this Agreement
(7) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.09 (c) of this Agreement
(8) Unallocated	17,850,000	
TOTAL	<u>150,000,000</u>	

2. For the purposes of this Schedule, the term “Training” means expenditures (other than those for consultants’ services) incurred by the Borrower and/or Participating Provinces, 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 trainees and trainers (if applicable), training registration fees, and rental of training facilities and equipment under the Project.

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 in respect of Category (1) set forth in the table in Part A.1 of this Schedule on account of payments made for expenditures within one year before that date but after June 1, 2005 if the pertinent set of conditions referred to in paragraph (b) below have been met and the corresponding Participating Province I has complied with the pertinent provisions of this Agreement;

(b) payments made to finance any CREMA Subproject, Road Subproject and/or Institutional Building Subproject under the jurisdiction of a given Participating Province I and/or to finance the provision of assistance under Part D of the Project under Categories (1) and (2) (a) and (c), (3) (a) and (c), (4) (a) and (c) and (5) set forth in the table in Part A.1 of this Schedule, unless:

- (i) the corresponding Subsidiary Loan Agreement I has been signed (or amended to increase the relevant Subsidiary Loan as provided in Section 3.10 (c) of this Agreement) by the respective parties thereto;
- (ii) said Participating Province I has undertaken all action, satisfactory to the Bank, in order to permit the corresponding Participating Province I to carry out the procurement of goods, works and services to be financed under the Loan for such CREMA Subproject, Road Subproject and/or Institutional Building Subproject in accordance with the provisions of this Agreement; and
- (iii) counsel for the Borrower and the corresponding Participating Province I, acceptable to the Bank, has each furnished to the Bank an opinion or opinions, acceptable to the Bank, providing that: (A) the pertinent Subsidiary Loan Agreement I (or its amendment thereto) has been duly authorized or ratified by the Borrower and the corresponding Participating Province I and is legally binding upon the Borrower and said Participating Province I in accordance with its terms; and (B) that all action referred to in (ii) above has been undertaken, and that no other action by said Participating Province I is required to permit the procurement of goods, works and services in accordance with the provisions of this Agreement; and

(c) payments made to finance any Project activity under Part C.2 of the Project under the jurisdiction of a given Participating Province II and/or to finance the provision of assistance under Part D of the Project under Categories (2) (b) and (c), (3)(b) and (c), (4) (b) and (c) and (5) set forth in the table in Part A.1 of this Schedule, unless:

- (i) prior to the commencement of any of the corresponding Project activities under Part C.2 of the Project and/or the provision of assistance under Part D of the Project (as the case may be) the corresponding Subsidiary Loan Agreement II has been signed (or amended to increase the relevant Subsidiary Loan as provided in Section 3.10 (c) of this Agreement) by the respective parties thereto;
- (ii) said Participating Province II has undertaken all action, satisfactory to the Bank, in order to permit the corresponding Participating Province II to carry out the procurement of goods, works and services to be financed under the Loan for such Project activity under Part C.2 of the Project in accordance with the provisions of this Agreement; and
- (iii) counsel for the Borrower and the corresponding Participating Province II, acceptable to the Bank, has each furnished to the Bank an opinion or opinions, acceptable to the Bank, providing that: (A) the pertinent Subsidiary Loan Agreement II (or its amendment thereto) has been duly authorized or ratified by the Borrower and the corresponding Participating Province II and is legally binding upon the Borrower and said Participating Province II in accordance with its terms; and (B) that all action referred to in (ii) above has been undertaken, and that no other action by said Participating Province II is required to permit the procurement of goods, works and services in accordance with the provisions of this Agreement.

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 costing less than \$250,000 equivalent per contract, with the exception of the first contract for goods costing less than \$250,000; (b) works costing less than \$5,000,000 equivalent per contract with the exception of the first contract for works costing less than \$5,000,000; (c) services of individual consultants costing less than \$100,000 equivalent per contract with the exception of any contract selected under sole source; (d) services of consulting firms under contracts costing less than \$150,000 equivalent per contract with the exception of the first contract for services of consulting firms costing less than \$150,000 equivalent; and (e) Operating Costs under Category (5) set forth in the table in Part A.1 of this Schedule, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

5. The Borrower may request withdrawals from the Loan Account to be made on the basis of reports to be submitted to the Bank in form and substance satisfactory to the

Bank, such reports to include the FMR and any other information as the Bank shall specify by notice to the Borrower (Report-based Disbursements).

B. Special Account

1. The Borrower may open and maintain in Dollars a special deposit account in *Banco de la Nación Argentina*, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment.

2. After the Bank has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Loan Account of amounts to be deposited into the Special Account shall be made as follows:

(a) if the Borrower is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Borrower is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. 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.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if the Bank, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Bank determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Loan Account; or

(c) 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: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based

Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Bank shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule 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 Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Bank determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or 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. 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 determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, 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 subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Loan Agreement.

Annex A

to

SCHEDULE 1

**Operation of Special Account
When Withdrawals Are Not
Report-based Disbursements**

1. For the purposes of this Annex, 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 2 of this Annex.

2. 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 in the aggregate do not exceed the Authorized Allocation. 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.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. 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 Part B.3 of Schedule 1 to this Agreement 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. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.

3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Loan 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 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.

Annex B

to

SCHEDULE 1

**Operation of Special Account
When Withdrawals Are
Report-based Disbursements**

1. Withdrawals from the Loan Account shall be deposited by the Bank into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to improve the primary paved road sector assets of Participating Provinces I; and (b) to enhance the DPVs' capacity to manage and administer their corresponding road assets, so as to facilitate the transport of products within the Borrower's territory.

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: CREMA Subprojects and Road Subprojects

1. Carrying out, under the terms of approximately fifteen (15) CREMA Contracts, of rehabilitation works (such as base reconstruction, resurfacing, or asphalt concrete overlaying) and/or maintenance works for approximately 2,204 kilometers of roads (in the aggregate) under the jurisdiction of Participating Provinces I, including any other CREMA Contracts within the jurisdiction of Participating Provinces I, as approved by the Bank.
2. Carrying out of rehabilitation and upgrading works (such as base reconstruction, resurfacing, paving and/or asphalt concrete overlaying, as the case may be) for approximately 264 kilometers within the existing right-of-way of selected roads under the jurisdiction of Participating Provinces I (through conventional contractual modalities, such as ad-measurement contracts), including any other rehabilitation and upgrading works of the same type described herein within the jurisdiction of Participating Provinces I, as approved by the Bank.

Part B: Routine Maintenance Subprojects

Carrying out of annual routine maintenance programs of the paved network under the jurisdiction of Participating Provinces I (excluding Road Subprojects), as approved by the Bank.

Part C: Road Sector Management and Institutional Building

1. Design and implementation of an action plan in each Participating Province I, which plan may consist of, *inter alia*, activities to improve and/or strengthen the capacity of the corresponding DPV concerning: (a) strategic planning; (b) budget execution and

supervision of road works; (c) performance-based management; (d) road safety (as approved by the Bank); (e) information technology and communications; and (f) environmental management.

2. Strengthening of the capacity of the DPVs within the jurisdiction of Participating Provinces II to: (a) develop a rational model for preparing their annual road programs; (b) enable them to carry out their environmental duties and responsibilities through the pertinent environmental units; and (c) carry out road network surveys, all in a manner acceptable to the Bank.

Part D: Project Management

1. Strengthening of the CEU's capacity to carry out its functions and responsibilities, as referred to in Section 3.09 (a) of this Agreement.

2. Provision of technical assistance and training to Participating Provinces in the preparation of potential road and institutional strengthening investments.

3. Design of baseline indicators to measure the impact of the Project on an ongoing basis, and provision of technical assistance to the Borrower to carry out Project impact assessments.

* * *

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

<u>Payment Date</u>	<u>Installment Share (Expressed as a %)</u>
October 15, 2012	7.25%
April 15, 2013	7.25%
October 15, 2013	8.00%
April 15, 2014	8.00%
October 15, 2014	8.25%
April 15, 2015	8.25%
October 15, 2015	8.25%
April 15, 2016	8.25%
October 15, 2016	9.00%
April 15, 2017	9.00%
October 15, 2017	9.25%
April 15, 2018	9.25%

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, 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. Without limitation to the provisions in paragraphs A and B of this Section, the following additional provisions shall also govern the procurement of goods, works and consultants' services under the Project (as the case may be):

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

(b) all contracts for works to be procured under the Project shall contain a methodology, acceptable to the Bank, whereby the price of each said contracts shall be adjusted through the use of price adjustment formulas, in a manner acceptable to the Bank;

(c) a two-envelope bidding procedure shall not be allowed in the procurement of goods and works;

(d) 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);

(e) 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;

(f) 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, works 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; and

(g) 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 works 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, 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.

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.

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

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank: (a) each contract for goods estimated to cost the equivalent of \$250,000 or more, and the first contract for goods estimated to cost less than \$250,000 equivalent; (b) each contract for works estimated to cost the equivalent of \$5,000,000 or more, and the first contract for works estimated to cost less than \$5,000,000 equivalent; and (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$150,000 or more, and the first contract for consultants' services provided by a firm estimated to cost less than \$150,000 equivalent. In addition, the record of justification referred to in paragraph 5 of Appendix 1 to the Consultant Guidelines for each contract for the employment of individual consultants estimated to cost \$100,000 equivalent or more, or to be selected on a sole source basis, shall be subject to Prior Review by the Bank. All other contracts shall be subject to Post Review by the Bank.

SCHEDULE 5

Terms and Conditions of Subsidiary Loan Agreements I

Each Subsidiary Loan Agreement I shall contain, *inter alia*, the following provisions:

- (a) the obligation of the Borrower:
 - (i) to promptly disburse to each Participating Province I the proceeds of the corresponding Subsidiary Loan in a manner acceptable to the Bank;
 - (ii) to allocate the front-end fee and commitment charge applicable to the Loan pursuant to Sections 2.04 and 2.05 of this Agreement proportionately among each Participating Province I;
 - (iii) to provide the necessary assistance to each Participating Province I, as needed, under Part D of the Project;

- (b) the right of the Borrower to take remedial actions against the pertinent Participating Province I in case said Participating Province I shall have failed to comply with any of its obligations under the pertinent Subsidiary Loan Agreement I in respect of any Subproject; and

- (c) the obligation of each Participating Province I:
 - (i) to use the Subsidiary Loan for the financing of: (A) CREMA Subprojects, Road Subprojects and Institutional Building Subprojects; and (B) a proportionate share of the cost of the acquisition of goods and provision of consultants' services and training (including the appropriate Operating Costs) under Part D of the Project, if needed;
 - (ii) to provide the funds, facilities, services and other resources, necessary or appropriate to carry out the corresponding Subproject;
 - (iii) to repay the proceeds of the Subsidiary Loan (which Subsidiary Loan shall be denominated in Dollars equivalent and carry the same interest rate applicable to the Loan pursuant to Section 2.06

of this Agreement) withdrawn by the Participating Province I (together with interest and other charges thereon): (A) in the same currency in which the corresponding principal amount of the Loan and interest and other charges thereon are to be repaid by the Borrower to the Bank pursuant to Article III of the General Conditions; and (B) within a period of 12.5 years, including 6.5 years of grace;

- (iv) to cause the corresponding DPV to carry out the pertinent Subprojects in accordance with the pertinent provisions of this Agreement;
- (v) to comply with, or caused to be complied, the obligations referred to in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of said Subprojects;
- (vi) to take or permit to be taken all action to enable the Borrower to comply with its obligations under Sections 3.01 (b), 3.02, 3.04, 3.06 (a), 3.07, 3.08, 3.11, 3.12, 3.14, 3.15, 4.01, 4.02 and 4.03 of this Agreement;
- (vii) to participate in the reviews referred to in Section 3.10 (c) of this Agreement;
- (viii) to maintain compliance (including the obligation to establish adequate mechanisms and/or undertake the appropriate actions to maintain compliance), at least during Project implementation, with the provisions of the Fiscal Responsibility Law (or with the provisions of a fiscal framework consistent with the principles and parameters embedded in the Fiscal Responsibility Law in case a Participating Province I has not adhered to said law), so as to achieve fiscal sustainability;
- (ix) not to assign, amend, terminate, abrogate, repeal, waive or fail to enforce the Subsidiary Loan Agreement I; and
- (x) (A) to operate and maintain (or cause to be operated and maintained) at all times during Project implementation, a provincial management unit, with a structure, functions and responsibilities acceptable to the Bank; and (B) to ensure that the

PMU is, at all times during Project implementation, headed by a Project coordinator and assisted by professional staff (including a procurement specialist) and administrative staff, all in numbers and with qualifications and experience acceptable to the Bank.

SCHEDULE 6

Terms and Conditions of Subsidiary Loan Agreements II

Each Subsidiary Loan Agreement II shall contain, *inter alia*, the following provisions:

- (a) the obligation of the Borrower:
 - (i) to promptly disburse to each Participating Province II the proceeds of the corresponding Subsidiary Loan in a manner acceptable to the Bank;
 - (ii) to allocate the front-end fee and commitment charge applicable to the Loan pursuant to Sections 2.04 and 2.05 of this Agreement proportionately among each Participating Province II;
 - (iii) to provide the necessary assistance to each Participating Province II, as needed, under Part D of the Project;

- (b) the right of the Borrower to take remedial actions against the pertinent Participating Province II in case said Participating Province II shall have failed to comply with any of its obligations under the pertinent Subsidiary Loan Agreement II in respect of the corresponding Project activities under Part C.2 of the Project; and

- (c) the obligation of each Participating Province II:
 - (i) to use the Subsidiary Loan for the financing of: (A) the corresponding Project activities under Part C.2 of the Project; and (B) a proportionate share of the cost of the acquisition of goods and provision of consultants' services and training (including the appropriate Operating Costs) under Part D of the Project; if needed;
 - (ii) to provide the funds, facilities, services and other resources, necessary or appropriate to carry out the corresponding Project activity under Part C.2 of the Project;
 - (iii) to repay the proceeds of the Subsidiary Loan (which Subsidiary Loan shall be denominated in Dollars equivalent and carry the same interest rate applicable to the Loan pursuant to Section 2.06

of this Agreement) withdrawn by the Participating Province II (together with interest and other charges thereon): (A) in the same currency in which the corresponding principal amount of the Loan and interest and other charges thereon are to repaid by the Borrower to the Bank pursuant to Article III of the General Conditions; and (B) within a period of 12.5, including 6.5 years of grace;

- (iv) to cause the corresponding DPV to carry out the corresponding Project activities under Part C.2 of the Project in accordance with the pertinent provisions of this Agreement;
- (v) to comply with, or caused to be complied, the obligations referred to in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of said Subprojects;
- (vi) to take or permit to be taken all action to enable the Borrower to comply with its obligations under Sections 3.01 (c), 3.02, 3.05, 3.06 (a), 3.11, 4.01 and 4.02 of this Agreement;
- (vii) to participate in the reviews referred to in Section 3.10 (c) of this Agreement; and
- (viii) not to assign, amend, terminate, abrogate, repeal, waive or fail to enforce the Subsidiary Loan Agreement II.

wb66999

N:\ARGENTIN\912-AR Provincial Roads II\912-AR Loan Agreement.doc

11/25/2005 9:48:00 AM