

CONFORMED COPY

LOAN NUMBER 7473-AR

Loan Agreement

(National Highway Asset Management Project-Phase II)

between

ARGENTINE REPUBLIC

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated June 27, 2008

LOAN AGREEMENT

Agreement dated June 27, 2008, between ARGENTINE REPUBLIC (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of four hundred million Dollars (\$400,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Commitment Charge payable by the Borrower shall be equal to three-fourths of one percent (3/4 of 1%) per annum on the Unwithdrawn Loan Balance, subject to any waiver of a portion of such charge as may be determined by the Bank from time to time.
- 2.04. The Front-end Fee payable by the Borrower shall be equal to one percent (1.0%) of the Loan amount, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time.
- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread, subject to any waiver of a portion of such interest as may be determined by the Bank from time to time; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions.
- 2.06. The Payment Dates are June 15 and December 15 in each year.

- 2.07. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Agreement.
- 2.08. (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 the 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 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 for 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 the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project and the Program. To this end, the Borrower, through MPFIPS, shall cause the Project to be carried out by DNV in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of, namely, that DNV shall have failed to comply with any of its obligations under the Subsidiary Agreement.
- 4.02. The Additional Event of Acceleration consists of, namely, that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:

- (a) The Subsidiary Agreement has been executed on behalf of the Borrower and the DNV.
 - (b) The Operational Manual has been approved by the DNV in a manner acceptable to the Bank.
 - (c) The Updated Environmental Evaluation and Management Manual has been approved by DNV in a manner acceptable to the Bank.
- 5.02. The Additional Legal Matter consists of, namely, that the Subsidiary Agreement has been duly authorized or ratified by the Borrower and the DNV and is legally binding upon the Borrower and the DNV in accordance with its terms.
- 5.03. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Bank's approval of the Loan which expire on December 26, 2008.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is its Minister of Economy and Production.

6.02. The Borrower's Address is:

Ministerio de Economía y Producción
Hipólito Yrigoyen 250
C1086 AAB, Buenos Aires
Argentina

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| Cable: | Telex: | Facsimile: |
| MINISTERIO DE ECONOMIA Baires | 121942-AR | (5411) 4349-8815 |

6.03. The Bank's Address is:

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) | 1-202-477-6391 |

AGREED at Buenos Aires, Argentina, as of the day and year first above written.

ARGENTINE REPUBLIC

By /s/ Carlos Fernández

Authorized Representative

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By /s/ Pedro Alba

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are: (a) to further preserve the Non-Concessioned National Road Network, through the expansion of CREMA Contracts for said network; and (b) to further strengthen DNV's road sector management capacity.

The Project constitutes the second phase of the Program, and consists of the following parts:

Part 1: Non-Concessioned National Road Network Rehabilitation and Maintenance

- (a) Carrying out, under the terms of eight (8) CREMA Contracts (listed in the Implementation Letter), of rehabilitation works (such as base reconstruction, resurfacing, or asphalt concrete overlaying) and/or maintenance works for approximately 1,417 kilometers of the Non-Concessioned National Road Network, which CREMA Contracts were procured or are to be procured under the National Highway Asset Management Project-Phase I.
- (b) Carrying out, under the terms of twelve (12) CREMA Contracts, of rehabilitation works (such as base reconstruction, resurfacing, or asphalt concrete overlaying) and/or maintenance works for approximately 1,873 kilometers of the Non-Concessioned National Road Network.
- (c) Carrying out, under the terms of fifty (50) CREMA Contracts, of rehabilitation works (such as base reconstruction, resurfacing, or asphalt concrete overlaying) and/or maintenance works for approximately 7,637 kilometers of the Non-Concessioned National Road Network.

Part 2: Bridge Restoration and Construction Management

- (a) Bridge restoration works for approximately thirteen (13) bridges of the Non-Concessioned National Road Network (which works consist of either the widening of the deck from less than seven (7) meters to about nine (9) to ten (10) meters or the total replacement and reconstruction of the pertinent bridge within the existing right of way); and
- (b) carrying out of engineering design studies for the bridge restoration of about twenty bridges (20) of the Non-Concessioned National Road Network.

Part 3: Road Safety

- (a) Design and implementation of a large-scale road safety pilot program in two corridors of the Non-Concessioned National Road Network (selected by DNV in accordance with criteria acceptable to the Bank), which program consists of, *inter alia*: (i) the design of a system to monitor and evaluate the impact of said program; (ii) the design of an education and communication strategy, including the implementation of selected activities under said strategy such as the

upgrading of current road safety educational practices at schools and the carrying out of an awareness campaign along said two corridors (including all urban centers within said corridors); (iii) the preparation of engineering designs for the upgrading of safety standards in said corridors; and (iv) the upgrading of safety standards, which upgrading consists of, *inter alia*, roadway edge widening and marking, placing rubble strips and obstacle shields along roadsides, placing horizontal markings, improving urban crossings and increasing size and quality of signs.

- (b) (i) Upgrading of safety standards of about fifteen (15) selected critical black spots of the Non-Concessioned National Road Network, which upgrading consists of, *inter alia*, the improvement of lightning and lightning design, roadway edge widening and marking, placing rubble strips and obstacle shields along roadsides, placing horizontal markings, improving urban crossings and increasing size and quality of signs; and (ii) if necessary, construction works in said selected critical black spots, which works consist of replacing intersections by more efficient round-about arrangements.

Part 4: Institutional Renewal

Carrying out of the following Project activities (which activities described in paragraphs (b), (c) and (d) below complement the activities carried out or to be carried out under the National Highway Asset Management Project-Phase I in respect of the institutional renewal program for DNV set forth therein):

- (a) (i) provision of support to DNV's secondary and tertiary education program, through the financing of the Education Eligible Unit Cost in the DNV's schools set forth in the Operational Manual; (ii) provision of technical assistance to DNV to improve the quality and efficiency of the program mentioned in (i) herein; and (iii) provision of training to DNV's professional staff on areas to be selected by DNV in a manner acceptable to the Bank;
- (b) strengthening the environmental capacity of DNV, through, *inter alia*: (i) the provision of training to DNV's staff on potential environmental and social consequences of road construction; (ii) the dissemination of the contents of the Updated Environmental Evaluation and Management Manual; and (iii) the carrying out of studies on the identification and management of environmental liabilities within the Non-Concessioned National Road Network;
- (c) provision of technical support to DNV on financial management matters, which consists of, *inter alia*: (i) the carrying out of a diagnostic of DNV's Department of Administration and Finance, and thereafter, design and implementation of an action plan, acceptable to the Bank (which plan shall include the recommendations of said diagnostic, and the Bank's comments thereon, if any); and (ii) the provision of training to DNV's staff (assigned to work under the Department of Administration and Finance) on public finance, accounting, project finance, and economic and financial legislation;
- (d) (i) carrying out of studies on road safety, territorial development, and on the integration of the roads networks at the national and provincial levels; and (ii)

provision of technical support to DNV to assist the same in the implementation of the human resources plan being designed under the National Highway Asset Management Project-Phase I; and

- (e) Provision of technical support to DNV to upgrade its technology communications' systems.

SCHEDULE 2**Project Execution****Section I. Implementation and Other Arrangements**

- A.** (a) The Borrower shall, and shall cause DNV to, ensure that Parts 1 (b), 2, 3 and 4 of the Project are carried out in accordance with the provisions of the Anti-Corruption Guidelines.
- (b) With respect to Part 1 (a) of the Project, the Borrower shall: (i) comply with the provisions of the Anti-Corruption Guidelines; and (ii) cause DNV to ensure that DNV will comply with the provisions of the Anti-Corruption Guidelines other than the provision under paragraph 10 (a) of said guidelines which provides for the inclusion of the general principles of said guidelines and the provisions set forth in paragraph 9 (d) of the Anti-Corruption Guidelines in the 8 CREMA Contracts mentioned in said Part 1 (a) of the Project.
- B.** (a) Without limitation to the provisions of Section 3.01 of this Agreement, and for purposes of carrying the Project, the Borrower shall make the proceeds of the Loan available to DNV under a subsidiary agreement (the Subsidiary Agreement) to be entered into between the Borrower and DNV, under terms and conditions acceptable to the Bank, which shall include, *inter alia*, those set forth in Schedule 4 to this Agreement.
- (b) (i) The Borrower shall exercise its rights under the Subsidiary 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 Subsidiary Agreement or any provision thereof.
- C.** (a) Without limitation to the provisions of Section 3.01 of this Agreement, the Borrower, through MPFIPS, shall cause DNV to carry out:
- (i) the Project in accordance with a manual (the Operational Manual), acceptable to the Bank, which sets forth, *inter alia*: (A) the criteria for selecting the road sections to be rehabilitated and/or maintained under Part 1 (b) and (c) of the Project; (B) the criteria for selecting the bridges and roads to be benefited under Parts 2 and 3 of the Project; (C) the list of DNV's schools to be benefited under Part 4 (a) (i) of the Project, and the certification procedures to enable the financing of the Education Eligible Unit Cost; (D) the Project's chart of accounts and internal controls; (E) the format of: (1) the unaudited interim financial reports referred to in Section II. A.1 (b) (ii) of Schedule 2 to this Agreement; and (2) the Financial Statements; (F) the terms of reference for carrying out the Project audits under Section II.B.2 of Schedule 2 to this Agreement; (G) the Project indicators; and (H) the Project disbursement and procurement procedures (including the price adjustment methodology referred to in Section III.A. 4 (b) of this Schedule); and

(ii) (A) the works under Part 1 (a) of the Project in accordance with the provisions of the Environmental Evaluation and Management Manual; and (B) the works under the other Parts of the Project in accordance with the provisions of an updated Environmental Evaluation and Management Manual, which updated version shall include, *inter alia*: (1) the environmental guidelines to be followed by DNV in carrying out the environmental screening and/or assessments referred to in Section I.D of this Schedule; (2) the procedures for the approval of the environmental management plans or similar environmental instrument, referred to in Section I.D of this Schedule; (3) the standard environmental provisions included or to be included in the bidding documents for the CREMA Contracts under Parts 1 (b) and (c) of the Project which shall include provisions: (I) 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 (II) whereby the contractor must comply with: (aa) the pertinent provisions of the corresponding environmental management plan or similar environmental instrument (as referred to in Section I.D of this Schedule); and (bb) the actions to be followed in connection with the finding of cultural property; and (4) the standard environmental provisions to be included in the standard bidding documents for the other works to be carried out under Parts 2 (a) and 3 the Project.

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

D. The Borrower, through MPFIPS, shall cause DNV to: (a) prior to the commencement of any works under the Project carry out, and/or cause to be carried 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 and/or cause to be approved, an environmental management plan or similar environmental instrument, acceptable to the Bank, for each said works (which plan or similar environmental instrument 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 Environmental Evaluation and Management Manual or Updated Environmental Evaluation and Management Manual (as the case may be); and (b) immediately after said approval, implement and/or cause to be implemented (as the case may be) the corresponding environmental management plan (or similar environmental instrument) in accordance with its terms.

E. (a) The Borrower, through MPFIPS, shall cause DNV to operate and maintain, at all times during Project implementation, the UCP with a structure, functions and responsibilities acceptable to the Bank, including, *inter alia*, the responsibility of the UCP to assist DNV in the coordination, monitoring and supervision of the carrying out of the Project.

(b) The Borrower, through MPFIPS, shall cause DNV to ensure that the UCP is, at all times during Project implementation, headed by a general coordinator and

assisted by other adequate professional staff (with expertise in engineering, administrative, procurement and financial matters) and administrative staff, all with qualifications and experience acceptable to the Bank.

- F.** (a) The Borrower, through MPFIPS, shall cause DNV to operate and maintain, at all times during Project implementation, the DGA with a structure, functions and responsibilities acceptable to the Bank, including, *inter alia*, the responsibility of the DGA to assist DNV in: (i) the environmental screening and/or environmental assessment of each of the works to be carried out under the Project (as mentioned in Section I.D of this Schedule); and (ii) taking the appropriate actions to prevent and/or mitigate any potential negative environmental impacts under the Project which are within DNV's jurisdiction.
- (b) The Borrower, through MPFIPS, shall cause DNV to ensure that the DGA is at all times during Project implementation staffed with adequate professional and administrative personnel, all with qualifications and experience acceptable to the Bank.
- G.** The Borrower, through MPFIPS, shall, and shall cause DNV to, ensure that any works under the Project do not involve any Resettlement.
- H.** The Borrower shall cause DNV to, prior to the commencement of each calendar year during Project implementation, create, and thereafter maintain throughout each said calendar year of Project implementation, a specific budget line entry in the relevant annual budget in order to keep track of the corresponding expenditures incurred during Project implementation.
- I.** (a) Before entering into:
- (i) a CREMA Contract (with the exception of those CREMA Contracts under Part 1 (a) of the Project which are governed by legal requirements under Loan No.7242-AR), the Borrower, through MPFIPS, shall cause DNV to furnish to the Bank a report, satisfactory to the Bank, showing: (A) the road network prioritization of the particular works covered by such CREMA Contract, which prioritization shall be based on traffic levels, road infrastructure condition indicators and the ratio resulting from the comparison of the Net-present Value of said particular works to the cost of said particular works; and (B) the economic feasibility of the carrying out of the particular works covered by such CREMA Contract, including a showing that the economic rate of return for such works, calculated in accordance with criteria satisfactory to the Bank, is expected to be at least twelve percent; and
- (ii) a given works contract under Part 2 (a) of the Project, the Borrower, through MPFIPS, shall cause DNV to furnish to the Bank a report, satisfactory to the Bank, showing the economic feasibility of the carrying out of the particular works under Part 2 (a) of the Project, including a showing that the economic rate of return for such works, calculated in accordance with criteria satisfactory to the Bank, is expected to be at least twelve percent.

- (b) For purposes of this paragraph, “Net-present Value” means the net value or benefit of an investment minus the present value of said investment’s costs throughout the period of execution of said investment.

J. The Borrower, through MPFIPS, shall cause DNV to: (a) not later than May 31 of each year of Project implementation (starting in the year 2008), prepare and furnish to the Bank, DNV’s annual report (acceptable to the Bank) for the immediately preceding calendar year, which such report shall contain, *inter alia*, a complete description of DNV’s: (i) work program and operations performance; and (ii) expenditures incurred in respect of the Project and the source of financing of said expenditures, for said calendar year; and (b) immediately thereafter, publish each such report in a manner acceptable to the Bank.

K. The Borrower, through MPFIPS, shall cause DNV to: (a) maintain throughout Project implementation the Steering Committee with functions and responsibilities acceptable to the Bank, including the responsibility to oversee the monitoring and supervision of the implementation of Part 4 (b), (c) and (d) of the Project; and (b) ensure that the Steering Committee is at all times during Project implementation assisted by professional staff with experience and qualifications acceptable to the Bank.

L. The Borrower, through MPFIPS, shall cause DNV to: (a) not later than December 31 of each year of Project implementation (starting in the year 2007), carry out road and traffic surveys of the Non-Concessioned National Road Network; and (b) not later than June 30 of each year of Project implementation (starting in the year 2008) prepare and furnish to the Bank a report of such scope and in such detail as the Bank shall reasonably request concerning the results of the survey carried out during the calendar year prior to the date of presentation of said report.

M. The Borrower, through MPFIPS, shall cause DNV to: (a) not later than November 30, 2007, prepare and furnish to the Bank, standard bidding documents (acceptable to the Bank) to be used by DNV for all procurement of CREMA Contracts under Part 1 (b) of the Project to be carried out on or after January 1, 2008; and (b) starting on January 1, 2008, use said standard bidding documents in the carrying out of the procurement of the works referred to in (a) herein.

N. Without limitation to the provisions of Section I.M above, the Borrower, through MPFIPS, shall cause DNV to: (a) not later than January 1, 2008, publish in a web page acceptable to the Bank, the procurement methodologies stipulated in Section III.B and C of this Schedule, the Project standard bidding documents and standard requests for proposals, and the model contracts for works (including those applicable to CREMA Contracts to be carried out under Part 1 (b) and (c) of the Project), goods and services to be financed under the Project (including the corresponding model evaluation forms in respect of bids and requests for proposals), all acceptable to the Bank; and (b) thereafter, ensure that the information mentioned in (a) herein shall continue to be published throughout Project implementation in said web page in a manner acceptable to the Bank.

O. The Borrower, through MPFIPS, shall cause DNV to: (i) review jointly with the Bank and not later than 12 months after the Effective Date and yearly thereafter, the Education Unit Cost; and (ii) immediately thereafter adjust said Education Unit Cost as necessary, in a manner satisfactory to the Bank.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. (a) The Borrower, through MPFIPS, shall cause DNV to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators set forth in the Operational Manual. Each Project Report shall cover the period of one calendar semester (starting with the first calendar semester of the year 2008), and shall be furnished to the Bank not later than forty five days after the end of the period covered by such report.
 - (b) The Borrower, through MPFIPS, shall cause DNV to include, as part of the information to be included in the Progress Reports: (i) a summary of the Eligible Expenditures incurred during the calendar semester covered by the pertinent Progress Report and their corresponding payment (including those expenditures incurred during said period of time which are not financed by the Loan); and (ii) the interim unaudited financial reports for the Project covering the calendar semester in question (which reports shall also include the list of signed contracts for works, goods and consultants' services under the Project, as reflected in DNV's financial management system during the period covered by each said report), all in form and substance satisfactory to the Bank.
 - (c) For purposes of Section 5.08 (b) of the General Conditions, the Borrower, through MPFIPS, shall, and shall cause DNV to, not later than March 31 of each year of Project implementation (starting in the year 2008), exchange views with the Bank (the annual reviews).
2. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than six months before the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause DNV to maintain a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. The Borrower, through MPFIPS, shall cause DNV to have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. Procurement

A. General

1. Goods and Works.

- (a) (i) Goods required for the Project; and (ii) works under Parts 1 (b), 2 (a) and 3 of the Project, and to be financed out of the proceeds of the Loan shall be procured

in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

- (b) All works under Part 1 (a) of the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in the loan agreement for Loan No. 7242-AR.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, the Consultant Guidelines, or in the in the loan agreement for Loan No. 7242-AR, as the case may be.

4. **Special Provisions.** Without limitation to the provisions in Section III A.1 and 2 of this Schedule, the following additional provisions shall also govern the procurement of goods, works and consultants' services under the Project (as the case may be):

- (a) (i) procurement of goods and works shall be carried out using standard bidding documents, including those referred to in Section I.M of this Schedule (which bidding documents in respect of works shall include, if applicable, a provision whereby the pertinent contractor must comply with the pertinent provisions of the Updated Environmental Evaluation and Management Manual and the corresponding environmental management plan or similar environmental instrument referred to in Section I.C (a) (ii) and D of this Schedule, respectively) and standard requests for quotations/proposals, all acceptable to the Bank, which shall all include, *inter alia*, a settlement of dispute provision; and (ii) procurement of consultants' services (in respect of firms) shall be carried out using standard requests for proposals, all acceptable to the Bank, which shall include, *inter alia*, a settlement of dispute provision;
- (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 for goods and works, information relating to the examination, clarification and evaluation of bids and recommendations concerning awards, shall not be disclosed to bidders or other persons not officially concerned with this process until the publication of contract award. In addition, bidders and/or other persons not officially concerned with said process shall not be allowed to review or make copies of other bidders' bids;

- (e) after the public opening of consultants' proposals, information relating to the examination, clarification and evaluation of proposals and recommendations concerning awards, shall not be disclosed to 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). In addition, consultants and/or other persons not officially concerned with said process shall not be allowed to review or make copies of other consultants' proposals;
- (f) 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;
- (g) the invitations to bid, bidding documents, minutes of bid openings, requests for expressions of interest and the pertinent summary of the evaluation reports of bids and proposals of all goods, works and consultants' services, as the case may be, shall be caused to be published in the Borrower's Office of National Procurement (*Oficina Nacional de Contrataciones*), and in a manner acceptable to the Bank. The bidding period shall be counted from the date of publication of the invitation to bid or the date of the availability of the bidding documents, whichever is later, to the date of bid opening;
- (h) the provisions set forth in paragraphs 2.49, 2.50, 2.52, 2.53, 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;
- (i) references to bidders in one or more specialized magazines shall not be used by DNV in determining if the bidder in respect of goods 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 contracts for goods to be procured under National Competitive Bidding procedures;
- (j) witness prices shall not be used as a parameter for bid evaluation, bid rejection or contract award;
- (k) the Borrower shall cause DNV to: (i) supply the Bank's publicly accessible Procurement Plans Execution System (SEPA) with the information contained in the initial Procurement Plan within 30 days after such plan has been approved by the Bank; and (ii) update the Procurement Plan at least biannually, or as required by the Bank, to reflect the actual project implementation needs and progress and shall supply said Bank's Procurement Plans Execution System with the information contained in the updated Procurement Plan immediately thereafter;

- (l) 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 in respect of contracts for goods to be procured under International Competitive Bidding procedures;
- (m) consultants shall not be required to submit bid or performance securities; and
- (n) the types of contracts described in Section IV of the Consultant Guidelines shall be the only types of contracts to be used by the DNV in connection with the contracting of consultants' services provided by a firm and to be financed with the proceeds of the Loan.

B. Particular Methods of Procurement of Goods and Works.

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works (with the exception of the CREMA Contracts referred to in Part 1 (a) of the Project which were procured or are to be procured under the National Highway Asset Management Project-Phase I) shall be procured or caused to be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works (with the exception of the CREMA Contracts referred to in Part 1 (a) of the Project which were procured or are to be procured under the National Highway Asset Management Project-Phase I). The Procurement Plan shall specify the circumstances under which such methods may be used.

| Procurement Method |
|----------------------------------|
| (a) National Competitive Bidding |
| (b) Shopping |
| (c) Direct Contracting |

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

| Procurement Method |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (a) Selection Based on the Consultants' Qualifications |
| (b) Single Source Selection |
| (c) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants |
| (d) Sole Source Procedures for the Selection of Individual Consultants set forth in paragraph 5.4 of the Consultant Guidelines for the Selection of Individual Consultants |

D. 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; (b) each contract for works estimated to cost the equivalent of \$500,000 or more; (c) each contract to be procured on the basis of Direct Contracting; and (d) each contract for consultants' services provided by a firm: (i) estimated to cost the equivalent of \$100,000 or more; or (ii) on the basis of Single-Source Selection.

In addition, the following prior review procedure shall apply to each contract for the employment of individual consultants in connection with the carrying out of Part 4 (a) (ii) of the Project: (a) the terms of reference and conditions of employment of the consultant shall be furnished to the Bank for its prior review and approval; and (b) the provisions of paragraph 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to each contract.

All other contracts not mentioned in this Section III. D shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

| Category | Amount of the Loan Allocated (expressed in USD) | Percentage of Expenditures to be financed |
|------------------------------------------------------------|------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| (1) Works | | |
| (a) under Part 1 (a) of the Project | 106,000,000 | |
| (b) under Part 1 (b) of the Project | 253,750,000 | 74% |
| (c) under Part 2 (a) of the Project | 15,800,000 | |
| (d) under Part 3 of the Project | 16,300,000 | |
| (2) Goods | 500,000 | 70% |
| (3) Consultants' services; Training and Operating Costs | 4,750,000 | 100% |
| (4) Education Eligible Unit Cost | 2,900,000 | 100% |
| (5) Front-end Fee | 0 | Amount payable pursuant to Section 2.04 of this Agreement in accordance with Section 2.07 (b) of the General Conditions |
| (6) Premia for Interest Rate Caps and Interest Collars | 0 | Amounts payable pursuant to Section 2.08 (c) of this Agreement |
| TOTAL AMOUNT | 400,000,000 | |

For purposes of this table:

- (a) the term "Training" means expenditures (other than those for consultants' services) incurred by DNV, all 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; and
- (b) the term "Operating Costs" means reasonable recurrent expenditures, based on an annual budget previously approved by the Bank, that would not have been incurred by the DNV absent the Project, for transportation and per-diem costs of the UCP staff, Project administration costs (including office rent), operation and maintenance of office equipment, and non-durable goods (excluding the school stationary items under the Education Eligible Unit Cost).

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$80,000,000 equivalent may be made for payments made prior to this date but on or after May 21, 2007 (but in no case more than one year prior to the date of this Agreement) for Eligible Expenditures for Categories (1), (2), (3) and (4) provided that the pertinent obligations set forth in this Agreement, as applicable to each Eligible Expenditures has been complied with.
2. The Closing Date is 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 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) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

| Principal Payment Date | Installment Share (Expressed as a Percentage) |
|-----------------------------------------------------------------------------------------|----------------------------------------------------------|
| On each June 15 and December 15 Beginning December 15, 2012 through June 15, 2022 | 5% |

2. If the proceeds of the Loan have not 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 have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn 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 is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable 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) Amounts of the Loan withdrawn 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, if at any time the Bank adopts 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 Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is 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 the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the 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 Withdrawn Loan Balance is 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

Terms and Conditions of the Subsidiary Agreement

The Subsidiary Agreement shall contain, *inter alia*, the following provisions:

- (a) the obligation of the Borrower:
 - (i) to promptly disburse to DNV the proceeds of the Loan in a manner acceptable to the Bank;
 - (ii) to ensure that Parts 1 (b), 2, 3 and 4 of the Project are carried out in accordance with the provisions of the Anti-Corruption Guidelines; and
 - (iii) with respect to Part 1 (a) of the Project, to: (A) comply with the provisions of the Anti-Corruption Guidelines; and (B) cause DNV to ensure that DNV will comply with the provisions of the Anti-Corruption Guidelines other than the provision under paragraph 10 (a) of said guidelines which provides for the inclusion of the general principles of said guidelines and the provisions set forth in paragraph 9 (d) of the Anti-Corruption Guidelines in the 8 CREMA Contracts mentioned in said Part 1 (a) of the Project.
- (b) the right of the Borrower to take remedial actions against DNV in case DNV shall have failed to comply with any of its obligations under the Subsidiary Agreement (which actions may include, *inter alia*, the partial or total suspension and/or cancellation of the Loan proceeds (as the case may be), all as previously agreed with the Bank); and
- (c) the obligation of DNV:
 - (i) to carry out the Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental, social and cultural property practices;
 - (ii) to provide the counterpart funds, facilities, services and other resources, necessary or appropriate to carry out the Project;
 - (iii) to ensure that Parts 1 (b), 2, 3 and 4 of the Project are carried out in accordance with the provisions of the Anti-Corruption Guidelines;
 - (iv) to comply with the provisions of the Anti-Corruption Guidelines other than the provision under paragraph 10 (a) of said guidelines which provides for the inclusion of the general principles of said guidelines and the provisions set forth in paragraph 9 (d) of the Anti-Corruption Guidelines in the 8 CREMA Contracts mentioned in said Part 1 (a) of the Project;

- (v) not to assign, amend, terminate, abrogate, repeal, waive or fail to enforce the Subsidiary Agreement or any provision thereof, unless previously agreed with the Bank;
- (vi) if applicable, to comply, or cause to be complied, with the obligations referred to in Sections 5.04, 5.05, 5.06, 5.07, 5.10 and 5.11 of the General Conditions (relating to insurance, land acquisition, use of goods, works and services, maintenance of facilities, plans, documents and records, cooperation and consultation and visits, respectively) in respect of the Project; and
- (vii) to take or permit to be taken all action to enable the Borrower to comply with its obligations set forth in Sections 3.01 and 3.02 of, and Schedule 2 to, this Agreement in respect of the carrying out of the Project by DNV.

APPENDIX**Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
4. “CREMA Contract” means a multi-year contract under Part 1 of the Project, entered into by DNV (as defined below) 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 Non-Concessioned National Road Network (as defined below).
5. “DGA” means *División Gestión Ambiental*, the DNV’s Environmental Unit established pursuant to DNV’s Resolution No. 1486/94 of August 29, 1994, or any successor thereto.
6. “DNV” means the Borrower’s *Dirección Nacional de Vialidad* (National Highways Directorate), an entity vested with legal personality operating under the jurisdiction of the MPFIPS (as defined below), and established by the Borrower’s Decree-Law No. 505/58, dated January 16, 1958, as said Decree-Law has been amended to the date of this Agreement.
7. “Education Eligible Unit Cost” means the Education Unit Cost (as defined below) per student who has been certified, in accordance with the certification procedures set forth in the Operational Manual, to have satisfactorily completed an annual grade in the secondary and tertiary program referred to in Part 4 (a) (i) of the Project.
8. “Education Unit Cost” means the annual average cost of teachers’ salaries and school stationery items incurred by DNV per student in connection with the provision of secondary and tertiary education and as part of the secondary and tertiary program referred to in Part 4 (a) (i) of the Project, as such cost may be modified from time to time with the agreement of the Bank, as provided in Section I.O of Schedule 2 to this Agreement.
9. “Environmental Evaluation and Management Manual” means the DNV’s manual, acceptable to the Bank, of the year 2005 (*año 2005*).

10. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through October 15, 2006).
11. “Implementation Letter” means the letter of even date herewith from the Borrower to the Bank setting forth the list of CREMA Contracts (as defined above) under Part 1 (a) of the Project.
12. “Loan No. 7242-AR” means the Bank’s loan made to the Borrower to assist the same in the financing of the National Highway Asset Management Project-Phase I (as defined below), pursuant to the terms of the Loan Agreement dated December 6, 2004 entered into between the Borrower and the Bank.
13. “MPFIPS” means *Ministerio de Planificación Federal, Inversión Pública y Servicios*, the Borrower’s Ministry of Federal Planning, Public Investment and Services.
14. “National Highway Asset Management Project-Phase I” means the Borrower’s project financed in part with the proceeds of Loan No. 7242-AR (as defined above), which project constitutes the first phase of the Program (as defined below).
15. “Non-Concessioned National Road Network” means those portions of the Argentine paved roads network, within the jurisdiction of DNV, which are not managed by the private sector through concession arrangements.
16. “Operational Manual” means DNV’s manual referred to in Section I.C (a) (i) of Schedule 2 to this Agreement, as the same may be amended from time to time with the agreement of the Bank.
17. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
18. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated May 21, 2007 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
19. “Program” means the Borrower’s program (consisting of two phases) set forth or referred to in the letter dated May 24, 2004 from the Borrower to the Bank.
20. “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.
21. “Steering Committee” means DNV’s committee established pursuant to resolution No. 263/05, dated March 7, 2005, or any successor thereto.

22. “Subsidiary Agreement” means the agreement referred to in Section I.B (a) of Schedule 2 to this Agreement, as the same may be amended from time to time with the agreement of the Bank.
23. “UCP” means *Unidad Coordinadora del Proyecto*, the DNV’s Project Coordinating Unit referred to in Section I.E (a) of Schedule 2 to this Agreement, or any successor thereto acceptable to the Bank.
24. “Updated Environmental Evaluation and Management Manual” means DNV’s manual, acceptable to the Bank, and referred to in Section I.C (a) (ii) (B) of Schedule 2 to this Agreement, as the same may be amended from time to time with the agreement of the Bank.