

CONFORMED COPY

LOAN NUMBER 4163-AR

Loan Agreement

(Buenos Aires Urban Transport Project)

between

ARGENTINE REPUBLIC

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated December 10, 1997

LOAN NUMBER 4163-AR

LOAN AGREEMENT

AGREEMENT, dated December 10, 1997, 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, 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 Single Currency Loans" of the Bank, dated May 30, 1995 (the General Conditions), constitute an integral part of this Agreement, except that Section 6.03 of the General Conditions is modified to read:

"Section 6.03. Cancellation by the Bank. If (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty days, or (b) at any time, the Bank determines, after consultation with the Borrower, that an amount of the Loan will not be required to finance the Project's costs to be financed out of the proceeds of the Loan, or (c) at any time the Bank determines, with respect to any contract to be financed out of the proceeds of the

Loan, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (d) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the Loan is inconsistent with the procedures set forth or referred to in the Loan Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (e) after the Closing Date, an amount of the Loan shall remain unwithdrawn from the Loan Account, or (f) the Bank shall have received notice from the Guarantor pursuant to Section 6.07 with respect to an amount of the Loan, the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be cancelled."

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) "AMBA" means Area Metropolitana de Buenos Aires (the metropolitan area comprised of the city of Buenos Aires and surrounding municipalities);
- (b) "Implementation Letter" means the letter, of even date herewith, entered into between the Borrower and the Bank with respect to the timetable and indicators applicable to the carrying out of the Project;
- (c) "Integration Manual" means the manual referred to in Section 3.06 (a) of this Agreement;
- (d) "Integration Subproject" means a set of civil works and other actions to be carried out in connection with improvements to a given rail or subway station under Part B.1 of the Project, but only if such civil works and actions are not excluded from the Project pursuant to paragraph C.4 of the Social and Environmental Letter (as hereinafter defined);
- (e) "Metrovías" means the Argentine corporation to which the Borrower awarded the concession to operate all lines of the Buenos Aires subway system, as well as the Urquiza suburban rail line, pursuant to the terms of the Metrovías Concession Contract (as hereinafter defined);
- (f) "Metrovías Concession Contract" means the November 25, 1993 contract entered into between the Borrower and Metrovías (as amended to the date of this Agreement and as may be subsequently amended without prejudice to the terms of Section 5.01 of this Agreement), which contract contains the terms of the concession awarded to Metrovías to operate all lines of the Buenos Aires subway system;
- (g) "Metrovías Line A Coordination Contract" means the January 22, 1997 contract entered into between the Borrower and Metrovías (as amended to the date of this Agreement and as may be subsequently amended without prejudice to the terms of Sections 3.05 and 5.01 of this Agreement), which contract contains the terms whereby Metrovías shall cooperate with the Borrower so that the Borrower may effectively carry out Part A.2 of the Project;
- (h) "Monitoring System Arrangement" means the contract or administrative arrangement to be entered into between the Borrower and an entity with sufficient qualifications in the field, pursuant to Section 3.08 (a) of this Agreement, which contract or arrangement shall contain the terms whereby said entity shall participate in the carrying out of Part C.2 of the Project;
- (i) "Other Concessionaires" means those parties, other than Metrovías, to which the Borrower has awarded the concession to operate AMBA suburban rail lines that connect with the Buenos Aires subway;
- (j) "Other Concession Contracts" means the contracts entered into between the Borrower and each of the Other Concessionaires (as amended to the date of this Agreement and as may be subsequently amended without prejudice to the terms of Section 5.01 of this Agreement), which contracts contain the terms of the concessions awarded to the Other Concessionaires to operate AMBA suburban rail lines;

(k) "Project Preparation Advance" means the project preparation advance granted by the Bank to the Borrower pursuant to the letter from the Bank to the Borrower dated August 2, 1996 (no. P-302-AR);

(l) "Social and Environmental Letter" means the March 7, 1997 letter from the Borrower to the Bank with respect to certain social and environmental policies applicable to the Project;

(m) "ST" means the Borrower's Secretaría de Transporte (Secretariat of Transport) within the Borrower's Ministerio de Economía y Obras y Servicios Públicos (Ministry of Economy and Public Works and Services);

(n) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(o) "Traffic Safety Manual" means the manual referred to in Section 3.07 (a) of this Agreement;

(p) "Traffic Safety Subproject" means a set of civil works and other actions to be carried out in connection with improvements to a given road/rail crossing under Part C.1 (a) of the Project, but only if such civil works and actions are not excluded from the Project pursuant to paragraph C.4 of the Social and Environmental Letter;

(q) "UEP" means the unit (Unidad de Ejecución del Proyecto) referred to in Section 3.09 of this Agreement; and

(r) "Work Certificate" means a certificado de obra issued by Metrovías to the Borrower to bill for work undertaken by Metrovías pursuant to the Metrovías Concession Contract.

## 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 the Loan Agreement, an amount equal to two hundred million Dollars (\$200,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of the Project, 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 or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

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

Section 2.03. The Closing Date shall be December 31, 2003 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

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

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

(i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.

(ii) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.

(iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in Dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(iv) "LIBOR Total Spread" means, for each Interest Period: (A) one half of one percent (1/2 of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.05, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months' notice to the Borrower of the new basis. The basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.06. Interest and other charges shall be payable June 15 and December 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall, with due diligence and efficiency and in conformity with appropriate administrative, financial, technical and environmental practices, as well as in accordance with the Integration Manual, the Traffic Safety Manual and the policies and periodically adjustable timetable and indicators set forth in the Implementation Letter:

(i) cause Part A.1 of the Project to be carried out by Metrovías pursuant to the terms of the Metrovías Concession Contract;

(ii) carry out Parts A.2, B, C and D of the Project through ST; and

(iii) coordinate execution of the Project as a whole through the UEP.

(b) The Borrower shall provide or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. 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.

Section 3.03. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare or cause to be prepared, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six 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) With respect to Part A.1 of the Project, the Borrower shall exercise its rights and comply with its obligations under the Metrovías Concession Contract in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan.

(b) The Borrower shall exercise its rights and comply with its obligations under the Other Concession Contracts in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan.

Section 3.05. With respect to Part A.2 of the Project, the Borrower shall exercise its rights and comply with its obligations under the Metrovías Line A Coordination Contract in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank may otherwise agree, the Borrower shall not assign, amend, abrogate or fail to enforce the Metrovías Line A Coordination Contract or any provision thereof.

Section 3.06. (a) The Borrower, through ST, shall carry out Part B of the Project according to the terms of a manual which sets forth how Integration Subprojects under Part B.1 of the Project and improvements under Part B.2 (a) of the Project will be prepared and carried out. In case of any conflict between the provisions of said manual and those of this Agreement, the provisions of this Agreement shall prevail. Said manual shall specify that, prior to commencing civil works for an Integration Subproject under Part B.1 of the Project, the Borrower, through ST, shall have, inter alia:

(i) carried out, or caused to be carried out, public participation exercises to gather inputs with respect to the preparation and carrying out of the civil works for the station;

(ii) prepared or caused to be prepared (taking into account inputs from the cited public participation exercises) an assessment of the possible environmental impacts of such civil works and a mitigation plan to address such impacts;

(iii) made available or caused to be made available (taking into account inputs from the cited public participation exercises) compensation to parties (including residents and merchants) adversely affected by the civil works for the station, which compensation shall comply with the guidelines set forth in the Social and Environmental Letter; and

(iv) entered into a legally binding written contract with the relevant municipality, rail service operator and (if necessary) province, which contract defines each such party's rights and obligations with respect to the civil works for the station (including their obligation to facilitate the Borrower's carrying out of the civil works, to permit or cause compliance with the plans referred to in subparagraph (ii) of this paragraph, to permit or cause provision of the compensation referred to in subparagraph (iii) of this paragraph, to permit or cause compliance with the terms of this Agreement and to maintain the resulting infrastructure once completed).

(b) The Borrower shall exercise its rights and comply with its obligations under the contracts referred to in Section 3.06 (a) (iv) of this Agreement in such manner as to protect the interests of the Borrower, the Bank and the adversely affected parties referred to in paragraph (a) (iii) of this Section and to accomplish the purposes of the Loan, and, except as the Bank may otherwise agree, the Borrower shall not assign, amend, abrogate or fail to enforce said contracts or any provision thereof.

Section 3.07. (a) The Borrower, through ST, shall carry out Part C.1 (a) of the Project according to the terms of a manual which sets forth how Traffic Safety Subprojects will be prepared and carried out. In case of any conflict between the provisions of said manual and those of this Agreement, the provisions of this Agreement shall prevail. Said manual shall specify that, prior to commencing civil works for a Traffic Safety Subproject, the Borrower, through ST, shall have, inter alia:

- (i) carried out, or caused to be carried out, public participation exercises to gather inputs with respect to the preparation and carrying out of the civil works for the crossing;
- (ii) prepared or caused to be prepared (taking into account inputs from the cited public participation exercises) an assessment of the possible environmental impacts of such civil works and a mitigation plan to address such impacts;
- (iii) made available or caused to be made available (taking into account inputs from the cited public participation exercises) compensation to parties (including residents and merchants) adversely affected by the civil works for the crossing, which compensation shall comply with the guidelines set forth in the Social and Environmental Letter; and
- (iv) entered into a legally binding written contract with the relevant municipality, rail service operator and (if necessary) province, which contract defines each such party's rights and obligations with respect to the civil works for the crossing (including their obligation to facilitate the Borrower's carrying out of the civil works, to permit or cause compliance with the plans referred to in subparagraph (ii) of this paragraph, to permit or cause provision of the compensation referred to in subparagraph (iii) of this paragraph, to permit or cause compliance with the terms of this Agreement and to maintain the resulting infrastructure once completed).

(b) The Borrower shall exercise its rights and comply with its obligations under the contracts referred to in Section 3.07 (a) (iv) of this Agreement in such manner as to protect the interests of the Borrower, the Bank and the adversely affected parties referred to in paragraph (a) (iii) of this Section and to accomplish the purposes of the Loan, and, except as the Bank may otherwise agree, the Borrower shall not assign, amend, abrogate or fail to enforce said contracts or any provision thereof.

Section 3.08. (a) With respect to Part C.2 of the Project, the Borrower shall enter into the Monitoring System Arrangement.

(b) The Borrower shall exercise its rights and comply with its obligations under the Monitoring System Arrangement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank may otherwise agree, the Borrower shall not assign, amend, abrogate or fail to enforce the Monitoring System Arrangement or any provision thereof.

Section 3.09. The Borrower, through ST, shall establish, and throughout the course of Project implementation maintain within ST, a unit that shall be responsible for coordinating execution of the Project. Such unit shall be headed by a general coordinator and shall include consultants and permanent staff (in numbers satisfactory to the Bank and all with qualifications and experience satisfactory to the Bank).

Section 3.10. (a) Throughout the course of Project implementation, and without limitation on the provisions of Section 9.07 of the General Conditions, the Borrower, through the UEP, shall furnish to the Bank, by no later than each July 31 and January 31 (starting on January 31, 1998), a semestral progress report on implementation of the Project, in form satisfactory to the Bank and based on the timetable and indicators set forth in the Implementation Letter.

(b) As part of each January semestral progress report referred to in paragraph (a) of this Section, the Borrower, through the UEP, shall present to the Bank an action plan, satisfactory to the Bank, for Project implementation during the calendar year in which said report is presented. Each such action plan shall be carried out by the Borrower, through ST, during the calendar year in question and may

contain, inter alia, the periodic adjustment to the timetable and targets referred to in Section 3.01 (a) of this Agreement.

(c) Based, inter alia, on the contents of the semestral progress reports referred to in paragraph (a) of this Section, the Borrower (through ST) and Metrovías shall hold annual reviews of Project implementation with the Bank in November of every year during Project implementation, beginning in 1998. Of said annual reviews, the one scheduled for November 1999 shall constitute a comprehensive Project mid-term review.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and separate accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Account, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain or cause to be retained, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### ARTICLE V

##### Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) thirty days have transpired since the Bank shall have informed the Borrower in writing that the Borrower, Metrovías, the Other Concessionaires, the Province of Buenos Aires, the Autonomous Government of the City of Buenos Aires and/or any of the other AMBA municipalities have taken any action (such as, inter alia, in connection with or in violation of the Metrovías Concession Contract, the Metrovías Line A Coordination Contract, the Other Concession Contracts, the Monitoring System

Arrangement, the contracts referred to in Section 3.06 (a) (iv) of this Agreement and/or the contracts referred to in Section 3.07 (a) (iv) of this Agreement), or shall have been subjected to any action or circumstances, so as to affect, in the opinion of the Bank, materially and adversely the efficient execution of the Project or the attainment of its objectives;

(b) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that Metrovías will be able to perform its obligations under the Metrovías Concession Contract and/or the Metrovías Line A Coordination Contract;

(c) the Metrovías Concession Contract and/or the Metrovías Line A Coordination Contract shall have terminated, for any cause, prior to completion of Part A of the Project; and

(d) the Integration Manual and/or the Traffic Safety Manual shall have been amended, suspended, abrogated or waived so as to affect, in the opinion of the Bank, materially and adversely the efficient execution of the Project or the attainment of its objectives.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified, namely, that the events specified in paragraphs (a) or (c) or (d) of Section 5.01 of this Agreement shall occur.

#### 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) that the UEP has been established and is fully operational;

(b) that all action has been taken by the Borrower in order to permit that the procurement of goods, works and services to be financed with Loan proceeds be undertaken in accordance with the provisions set forth or referred to in this Agreement; and

(c) that the unit referred to in Part D.5 of the Project shall have been established and is fully operational.

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) on behalf of the Borrower, that the Metrovías Line A Coordination Contract has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and is legally binding upon the Borrower in accordance with its terms; and

(b) on behalf of Metrovías, that the Metrovías Line A Coordination Contract has been duly authorized or ratified by, and executed and delivered on behalf of, Metrovías and is legally binding upon Metrovías in accordance with its terms.

Section 6.03. The date March 10, 1998 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 Public Works and Services 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 Obras y Servicios Públicos



Hipólito Yrigoyen 250  
1086 Buenos Aires  
Argentina

Cable address:

MINISTERIO ECONOMIA  
Baires

Telex:

121942-AR

For the Bank:

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

Cable address:

Washington, D.C.

Telex:

248423 (MCI),  
64145 (MCI)

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/ Roque Fernández

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Myrna Alexander

Acting Regional Vice President  
Latin America and the Caribbean

#### SCHEDULE 1

##### Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Metrovías concession payments for Part A.1 of the Project	50,000,000	35% of the expenditures covered by each Work Certificate
(2) Civil works for Part A.2 of the Project	65,000,000	65%
(3) Civil works (including Integration Subprojects) under Part B of the Project	11,000,000	40%
(4) Civil works (including Traffic Safety Subprojects) under Part C.1 of the Project	19,000,000	40%

(5)	Goods for Part C.2 of the Project	1,500,000	70%
(6)	Goods for Parts A.2, B and C.1 of the Project	1,700,000	70%
(7)	Technical assistance and training (except as covered under Category (8) below)	22,000,000	100%
(8)	Technical assistance for Part D.3 (b) of the Project	6,300,000	100%
(9)	Refunding of Project Preparation Advance	1,500,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(10)	Unallocated	22,000,000	
	TOTAL	200,000,000	

2. For the purposes of this Schedule, the term "Metrovías concession payments" means those payments made by the Borrower to Metrovías, pursuant to the Metrovías Concession Contract, to compensate Metrovías for the expenditures, incurred by Metrovías, for goods and works required to carry out Part A.1 of the Project. No disbursement of Loan proceeds for any Metrovías concession payment shall be made by the Bank, including a disbursement made as a replenishment of the Special Account, unless the Bank has received:

(a) a certified copy from the Borrower of the ST-approved Work Certificate with respect to said concession payment; and

(b) evidence that at least 95% of said concession payment from the Borrower has been deposited in an account held by Metrovías and that the remaining maximum 5% has been retained by the Borrower for future payment to Metrovías upon completion of Part A.1 of the Project.

3. Notwithstanding the provisions of paragraph 1 above:

(a) no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals in an aggregate amount not exceeding the equivalent of \$20,000,000 may be made on account of payments made for expenditures incurred within the twelve months prior to the date of this Agreement but after July 1, 1996;

(b) (i) no withdrawals shall be made in respect of Category (3) of the table in paragraph 1 above unless the Integration Manual, satisfactory to the Bank, has been issued by ST and is in effect; and (ii) in addition to the condition set forth in subparagraph (b) (i) above, no withdrawals shall be made with respect to an Integration Subproject unless the Bank has received evidence from the Borrower, in form and substance satisfactory to the Bank, that either:  
(A) the requirements set forth in Section 3.06 (a) (i) through (iv) of this Agreement have been met with respect to said Integration Subproject; or (B) there are no adversely affected parties entitled to the compensation referred to in Section 3.06 (a) (iii) of this Agreement with respect to said Integration Subproject;

(c) (i) no withdrawals shall be made in respect of Category (4) of the table in paragraph 1 above unless the Traffic Safety Manual, satisfactory to the Bank, has been issued by ST and is in effect; and (ii) in addition to the condition set forth in subparagraph (c) (i) above, no withdrawals shall be made with respect to a Traffic Safety Subproject unless the Bank has received evidence from the Borrower, in form and substance satisfactory to the Bank, that either:

(A) the requirements set forth in Section 3.07 (a) (i) through (iv) of this Agreement have been met with respect to said Traffic Safety Subproject; or

(B) there are no adversely affected parties entitled to the compensation referred to in Section 3.07 (a) (iii) of this

Agreement with respect to said Traffic Safety Subproject;  
and

(d) no withdrawals shall be made in respect of Category (5) of the table in paragraph 1 above unless the Monitoring System Arrangement, satisfactory to the Bank, has been entered into and the Bank has received a legal opinion from the Borrower, indicating that the Monitoring System Arrangement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and is legally binding upon the Borrower in accordance with its terms.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts costing \$8,000,000 equivalent or less (in the case of civil works, but not including civil works covered by the first two contracts under the Project procured pursuant to Section I, Part C.1 (b) of Schedule 4 to this Agreement), \$350,000 equivalent or less (in the case of goods, but not including goods covered by the first two contracts under the Project procured pursuant to Section I, Part C.1 (a) of Schedule 4 to this Agreement), less than \$100,000 equivalent (in the case of consulting firms) and less than \$50,000 equivalent (in the case of individual consultants), all under such terms and conditions as the Bank shall specify by notice to the Borrower. For purposes of withdrawals from the Loan Account in respect of Part A.1 of the Project, statements of expenditure shall consist of both the items referred to in paragraph 2 (a) and (b) of this Schedule.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to: (a) support joint private sector-public sector initiatives to improve the service quality and coverage of mass transit in the AMBA; (b) support the carrying out of the infrastructure improvement obligations assumed by private concessionaires with respect to the AMBA passenger rail system; (c) assist in improving traffic safety and urban transport-related environmental quality in the AMBA; and (d) contribute towards the development of an integrated urban transport (road and rail) system for the AMBA.

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: Buenos Aires Subway Infrastructure Improvement

1. Rehabilitation (including civil works supervision) of lines B, C, D and E of the Buenos Aires subway system, as well as of the Urquiza suburban rail line, by replacing portions of their track without deviating from the original existing track bed, renovating their electric substations and electric transmission systems, installing automatic signals and an operations control center for the lines, improving their passenger stations (such as by installing or rebuilding escalators), improving their mechanical workshops, ventilation systems and drainage systems and reconstructing approximately eight Urquiza line electric coaches.

2. Rehabilitation (including civil works supervision) of Buenos Aires subway system line A by completely replacing its track without deviating from the original existing track bed, installing three new electric substations for the line, renewing the line's power transmission system, renovating its signal and communications system, expanding the subway operations control center to include control of the line, replacing the line's drainage pumps and ventilation system, installing or rebuilding its station escalators and merging its existing Lima and Piedras stations so as to improve passenger transfer conditions between Buenos Aires subway system lines A and C.

#### Part B: Urban Transport System Integration

1. Major improvements (including civil works supervision) of road/rail transfer facilities by carrying out Integration Subprojects (consisting of, e.g., building or improving bus terminals, transfer centers and car parks) at selected major AMBA subway and/or rail stations.

2. (a) Minor improvements (such as, e.g., installation of bus-only lanes and other traffic flow enhancements, traffic signals, walkways, sidewalks and bicycle parking facilities) at outlying AMBA subway and/or rail stations, so as to ease bus, car, pedestrian and bicycle access to such stations; and (b) carrying out of a promotional campaign to encourage bicycle access to such stations.

Part C: Traffic Safety Enhancement and Environmental Monitoring

1. (a) Conversion (including civil works supervision) of approximately twelve grade road/rail crossings in the AMBA into non-grade road/rail crossings, at or near the same sites as the original grade crossings (by carrying out Traffic Safety Subprojects involving tunnel or bridge construction); (b) installation or rehabilitation of automatic barriers at the sites of selected road/rail crossings in the AMBA that will not be converted to non-grade crossings; (c) carrying out of a study to develop a comprehensive strategy to improve the safety of road/rail grade crossings in the AMBA; and (d) implementation of other traffic safety measures in the AMBA (such as implementation of a traffic safety public education campaign).
2. Installation and operation of an air quality and noise pollution monitoring system for the city of Buenos Aires.

Part D: Institutional Strengthening

1. Carrying out of an integrated urban transport study for the AMBA, which study shall include a transport survey and, on the basis of the results of said survey, subsequent preparation of a transport model suitable for quantitatively assessing the feasibility and comparative merits of alternative transportation strategies for the AMBA.
2. Development of an AMBA traffic and street environment improvement program.
3. Provision of technical assistance to ST on: (a) technical, financial, environmental and social aspects of urban transport in general, as well as on the preparation, appraisal and carrying out of Integration Subprojects and Traffic Safety Subprojects in particular; and (b) general Project administration.
4. Provision of training, in the fields of urban transport planning and economics, environmental management, traffic engineering and traffic safety management, to Argentine professionals working, or likely to work, in said fields with respect to the AMBA.
5. Establishment, maintenance and operation, throughout at least the period of implementation of the Project, of a public unit for AMBA urban transport planning.

\* \* \*

The Project is expected to be completed by June 30, 2003.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in Dollars)*
On each June 15 and December 15 beginning December 15, 2002 through June 15, 2012	10,000,000

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\* The figures in this column represent the amount in Dollars to be repaid, except as provided in Section 4.04 (d) of the General Conditions.

#### SCHEDULE 4

##### Procurement and Consultants' Services

###### Section I. Procurement of Goods and Works

###### Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 (the Guidelines) and the following provisions of this Section, as applicable.

###### Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

###### (a) Notification and advertising

The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

###### (b) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$350,000 equivalent or more each and contracts for works shall be grouped in bid packages estimated to cost \$8,000,000 equivalent or more each.

###### (c) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

###### Part C: Other Procurement Procedures

###### 1. National Competitive Bidding

(a) Goods (other than those required for Part C.2 of the Project) estimated to cost less than \$350,000 equivalent per contract or per bid package, up to an aggregate amount not to exceed \$1,800,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines. In the procurement of goods in accordance with this Part C.1 (a), standard bidding documents acceptable to the Bank shall be used.

(b) Works for Parts B and C of the Project estimated to cost less than \$8,000,000 equivalent per contract or per bid package, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines. In the procurement of works in accordance with this Part C.1 (b), standard bidding documents acceptable to the Bank shall be used.

###### 2. National and International Shopping

Goods (other than those required for Part C.2 of the Project) estimated to cost \$100,000 equivalent or less per contract or per bid package, up to an aggregate amount not to exceed \$1,000,000 equivalent, may be procured under contracts awarded on the basis of national or international shopping procedures in accordance with the

provisions of paragraphs 3.5 and 3.6 of the Guidelines.

### 3. Procurement of Small Works

Works for Parts B and C of the Project estimated to cost \$350,000 equivalent or less per contract or per bid package, up to an amount not to exceed \$2,000,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from at least three qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

### 4. Procurement by Metrovías

Pursuant to paragraph 3.13 (a) of the Guidelines, Metrovías may procure works and goods required for Part A.1 of the Project from eligible sources, using its own procedures.

### 5. Direct Contracting

Works (consisting of the supply and installation of equipment for the operations control center referred to in Part A.2 of the Project), which must be undertaken by the original supplier/installer to be compatible with existing installations and which are estimated to cost up to an aggregate amount not to exceed \$1,200,000 equivalent, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

## Part D: Review by the Bank of Procurement Decisions

### 1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

### 2. Prior Review

The procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply with respect to: (a) each contract procured under Part B of this Section; (b) the first two contracts or bid packages for goods procured under Part C.1 (a) of this Section; and (c) the first two contracts or bid packages for works procured under Part C.1 (b) of this Section.

### 3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

## Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each and contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Bank review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c)

assignments of a critical nature, as reasonably determined by the Bank; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; and (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (8) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$10,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$2,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$25,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Accounts;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

