

The World BankINTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
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May 8, 2003

Mr. Roberto Lavagna
Minister of Economy
Ministry of Economy
Hipólito Irigoyen 250
1310 Buenos Aires, Argentina

Re: **ARGENTINA** – Native Forests and Protected Areas Project
(Loan No. 4085-AR)

Amendment to Loan Agreement

Dear Minister Lavagna:

Please refer to the Loan Agreement dated April 17, 1997 (Loan No. 4085-AR) entered into between the Argentine Republic (the Borrower) and the International Bank for Reconstruction and Development (the Bank).

In response to the Borrower's request of October 18, 2002 to, *inter alia*: (a) reallocate part of the proceeds of the Loan to continue financing eligible Project expenditures; (b) increase the percentage of eligible Project expenditures to be financed with Loan proceeds under Categories (2) (a), (3) (a) and (5) (c) as set forth in the disbursement table in paragraph 1 of Schedule 1 to the Loan Agreement; (c) add a new Special Account for Part B of the Project, the Bank hereby agrees to amend the Loan Agreement, as follows:

I. **Loan Agreement (Loan No. 4085-AR):**

1. Section 1.02 is hereby amended to read in its entirety as set forth in Attachment I to this Amendment Letter.
2. The term "SRNyDS", wherever it appears, is hereby replaced with the term "SAyDS".
3. Paragraph (b) of Section 2.02 is hereby amended to read in its entirety as follows:

"(b) The Borrower may, for the purposes of: (i) Parts A and C.1 of the Project, open and maintain in Dollars a special deposit account (the Special Account A); and (ii) Parts B and C.2 of the Project, open and maintain in Dollars a special deposit account (the Special Account B), both 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 Schedules 5 and 6 to this Agreement."

4. Sections 3.01, 3.04, 3.06 and 3.06 are hereby amended to read in their entirety as follows:

“Section 3.01. 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 carry out: (a) Part A of the Project through DRFN; (b) Parts B and C.2 of the Project through APN; and (c) Part C.1 of the Project through SAyDS, all with due diligence and efficiency and in conformity with appropriate environmental, forestry and administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.04. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Monitoring Indicators, the carrying out of the Project and the achievement of the objectives thereof;

(b) by June 30 of each year of Project execution, furnish to the Bank for its review and comment a draft annual work plan and budget for the Project for the following year;

(c) by July 31 and January 31 of each year of Project execution, furnish to the Bank, respectively, an interim progress report and an annual progress report on the execution of the Project, said reports to be of such scope and detail as the Bank shall have reasonably requested and to include the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section;

(d) include in the interim progress report to be furnished to the Bank by July 31, 2000 pursuant to paragraph (c) of this Section, a report on the progress achieved in the carrying out of the Project since its beginning focusing, in particular, on the progress being made in reaching a consensus on the reform of the policy, legal, and regulatory frameworks for native forests under Part A(1) of the Project and on the status of the preparation of the modernization plan for APN under Part B(1) of the Project, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of its objectives; and

(e) review with the Bank, by September 30, 2000, or such later date as the Bank may request, the interim progress report referred to in paragraph (d) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

Section 3.05. The Borrower shall:

(a) establish, and thereafter maintain during the execution of Parts A and C.1 of the Project, a Project implementation unit (the SAyDS-PIU) within SAyDS with functions and responsibilities acceptable to the Bank;

(b) ensure that the SAyDS-PIU is headed at all times during the execution of Parts A and C.1 of the Project by a full-time coordinator, one full-time technical manager and one full-time accountant with qualifications and experience acceptable to the Bank and is further staffed with such other personnel with functions, responsibilities, qualifications and experience as may be required for the proper implementation of said Parts of the Project; and

(c) promptly inform the Bank of any change in the organizational structure or functions of SAyDS that may affect the execution of said Parts of the Project.

Section 3.06. The Borrower, through the SAyDS-PIU and/or the APN-PIU, as the case may be, shall ensure that:

(a) the corresponding Project activities under their responsibility are carried out in accordance with an implementation manual acceptable to the Bank;

(b) the terms of reference of all consultants engaged to assist in the carrying out of the corresponding Project activities under their responsibility include the obligation to perform the assignment in a manner consistent with the policy statements on forestry and natural habitats contained in the Project Implementation Manual;

(c) all bidding documents and contracts for road construction and repair under Part B of the Project incorporate the environmental protection provisions of the Project Implementation Manual; and

(d) all contracts for the execution of applied research and studies under Part A (3) of the Project shall be awarded on the basis of the selection criteria, approval process and form of contract described in an annex to the Implementation Letter.”.

5. A new Section 3.08 is hereby added to read in its entirety as follows:

Section 3.08. The Borrower shall:

(a) establish, and thereafter maintain during the execution of Parts B and C.2 of the Project, a Project implementation unit (the APN-PIU) within APN with functions and responsibilities acceptable to the Bank;

(b) ensure that the APN-PIU is headed at all times during the execution of Parts B and C.2 of the Project by a full-time coordinator, one full-time technical manager and one full-time accountant with qualifications and experience acceptable to the Bank and is further staffed with such other personnel with functions, responsibilities, qualifications and experience as may be required for the proper implementation of said Parts of the Project; and

(c) promptly inform the Bank of any change in the organizational structure or functions of APN that may affect the execution of said Parts of the Project.”.

6. References to the terms Minister of Economy and Public Works and Services and *Ministerio de Economía y Obras y Servicios Públicos* referred to in Sections 6.01 and 6.02, respectively, are hereby replaced by the terms Minister of Economy and *Ministerio de Economía*.

7. The table in paragraph 1 of Schedule 1 is hereby amended to read in its entirety as set forth in Attachment II to this Amendment Letter.

8. Paragraph 2 of Schedule 1 is hereby amended to read in its entirety as follows:

“2. For the purposes of this Schedule:

(a) the term "consultants' services" means consultants' professional fees and international travel costs only and does not include the costs of domestic travel and subsistence;

(b) the term "workshops" means the reasonable cost of facilitators, meeting rooms, publications, and travel and meals of attendees for workshops organized under the Project;

(c) the term “research and studies” means the reasonable cost of consultants’ fees to carry out the program of applied research and studies under Part A.3 of the Project;

(d) the term "remote images" means computer-compatible tapes or satellite images or aerial photographs;

(e) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(f) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.”.

9. Part C of the Project is hereby amended to read in its entirety as follows:

“Part C: Project Management

1. Strengthening the capacity of SAyDS to manage Parts A and C.1 of the Project by the establishment, equipping and operation of the SAyDS-PIU.

2. Strengthening the capacity of APN to manage Parts B and C.2 of the Project by the establishment, equipping and operation of the APN-PIU.”.

10. Schedule 5 is hereby amended to read in its entirety as set forth in Attachment III to this Amendment Letter.

11. A new Schedule 6 is hereby added to is hereby amended to read in its entirety as set forth in Attachment IV to this Amendment Letter.

II. Effectiveness:

Please confirm your agreement to the foregoing amendments by signing and dating this letter in the spaces provided below. This Amendment Letter will be executed in two counterparts, each of which shall be an original. Upon your confirmation, please return one fully executed original to us. The provisions of this Amendment Letter will become effective as of the date first above written upon receipt by the Bank of:

(a) one fully executed original of this Amendment Letter;

(b) evidence, acceptable to the Bank, that the APN-PIU has been established and staffed as provided in Section 3.08 of the Loan Agreement as amended pursuant to the terms of this Amendment Letter; and

(c) (i) Form 1903 (attaching supporting documentation) duly signed by the Borrower justifying the financing of Project eligible expenditures with Loan proceeds amounting to US\$203,253 (two hundred three thousand two hundred fifty three United States American Dollars), acceptable to the Bank; or (ii) the refund of said amount, as the case may be.

Notwithstanding the provisions set forth in the above paragraph, if the conditions mentioned in said paragraph have not been met by June 30, 2003, this Amendment Letter and all obligations of the parties hereunder shall terminate, unless the Bank establishes a later date for the purposes of this Section II. If this Amendment Letter shall terminate under the provisions of this Section II, the Loan Agreement shall continue in full force and effect, as if this Amendment Letter had not been executed.

Very Truly Yours,

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

By /s/ Axel van Trotsenburg
Axel van Trotsenburg
Director
Country Management Unit
Argentina, Chile, Paraguay and Uruguay
Latin America and the Caribbean Region

AGREED AND CONFIRMED:

ARGENTINE REPUBLIC

By: /s/ Roberto Lavagna
Authorized Representative

Name: Roberto Lavagna
Ministro de Economía y Producción

Date: July 11, 2003

Attachment I**Loan No. 4085-AR**

“Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "APN" means *Administración de Parques Nacionales*, the Borrower's National Parks Administration;

(b) "APN-PIU" means the unit referred to in Section 3.08 (a) of this Agreement;

(c) "DRFN" means *Dirección de Recursos Forestales Nativos*, the Directorate for Native Forest Resources of SAyDS (as hereinafter defined);

(d) "EIA" means *Estudio de Impacto Ambiental*, the environmental impact assessment defined in Article 6 (a) of the Borrower's *Resolución 16/94* of May 2, 1994, or such subsequent definition as may be acceptable to the Bank;

(e) "IIA" means *Informe de Impacto Ambiental*, the environmental impact report defined in Article 6 (b) of the Borrower's *Resolución 16/94* of May 2, 1994, or such subsequent definition as may be acceptable to the Bank;

(f) "Implementation Letter" means the letter of even date with this Agreement from the Borrower to the Bank;

(g) "Monitoring Indicators" means the performance and impact indicators set forth in an annex to the Implementation Letter;

(h) "Patagonia Regional Technical Delegation" means APN's technical delegation for the Patagonia region (*Delegación Regional Técnica Patagonia*);

(i) "Project Implementation Manual" means the manual referred to in Section 3.06 (a) of this Agreement;

(j) "SAyDS" means *Secretaría de Ambiente y Desarrollo Sustentable*, the Borrower's Secretariat of Environment and Sustainable Development;

(k) "SAyDS-PIU " means the unit referred to in Section 3.05 (a) of this Agreement;

(l) "Selected Parks" means the national parks of *Lanín*, *Nahuel Huapi*, *Los Alerces*, and *Los Glaciares*;

(m) "Special Account" means the Special Account "A" or the Special Account "B" or both, as the case may be;

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

(o) “Special Account ‘B’ means the account referred to in Section 2.02 (b) (ii) of this Agreement; and

(p) "year" means calendar year.”.

Attachment II**Loan No. 4085-AR**

| | <u>“Category</u> | <u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u> | <u>% of Expenditures to be Financed</u> |
|-----|---|--|--|
| (1) | Part A (1) of the Project: | | |
| | (a) Consultants’ services | 715,000 | 100% |
| | (b) Workshops and training tours | 210,000 | 60% |
| (2) | Part A (2) of the Project: | | |
| | (a) Consultants’ services | 3,626,500 | 100% |
| | (b) Vehicles, remote images, equipment, software, workshops | 774,500 | 100% of foreign expenditures; 100% of local expenditures ex-factory; and 60% of local expenditures |
| (3) | Part A (3) of the Project: | | |
| | (a) Research and studies | 2,437,000 | 100% |
| | (b) Workshops | 85,000 | 60% |
| (4) | Part B (1) of the Project: | | |
| | (a) Consultants’ services | 652,000 | 100% |
| | (b) Workshops | 70,000 | 100% |
| (5) | Part B (2) of the Project: | | |
| | (a) Consultants’ services and training | 1,354,000 | 100% |
| | (b) Vehicles, boats, equipment | 524,000 | 100% of foreign expenditures; 100% of local expenditures ex-factory; and 60% of local expenditures |
| | (c) Civil works | 5,165,000 | 80% |

| <u>Category</u> | <u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u> | <u>% of Expenditures to be Financed</u> |
|------------------------------|--|--|
| (6) Part C.1 of the Project: | | |
| (a) Consultants' services | 893,000 | 100% |
| (b) Vehicles and equipment | 59,500 | 100% of foreign expenditures; 100% of local expenditures ex-factory; and 60% of local expenditures |
| (7) Unallocated | 2,115,000 | |
| (8) Part C.2 of the Project: | | |
| (a) Consultants' services | 760,000 | 100% |
| (b) Vehicles and equipment | <u>59,500</u> | 100% of foreign expenditures; 100% of local expenditures ex-factory; and 60% of local expenditures |
| TOTAL | 19,500,000". ===== | |

Attachment III**Loan No. 4085-AR****“SCHEDULE 5****Special Account A**

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3) and (6) 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, works and services required for Parts A and C.1 of 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 \$700,000 to be withdrawn from the Loan Account and deposited in the Special Account “A” pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account “A” 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 “A” has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account “A” shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits 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 in the Special Account “A” such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account “A”, the Borrower shall furnish to the Bank requests for deposits into the Special Account “A” 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 “A” 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 “A” 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 "A", 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":

(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; or

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

(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, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to Parts A and C.1 of 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 "A" 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 "A": (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 "A" (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 "A" 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 "A" 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 "A".

(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.".

Attachment IV**Loan No. 4085-AR****SCHEDULE 6****Special Account "B"**

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (4), (5) and (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, works and services required for Parts B and C.1 of 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 \$350,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account "B" 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 "B" has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account "B" shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits 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 in the Special Account "B" 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 "B" 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 "B" 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 "B" 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 "B", 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 "B":

(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; or

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

(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, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to Parts B and C.2 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 "B" 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 "B": (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 "B" (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 "B" 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 "B" 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 "B".

(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.".

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