

**CONFORMED COPY**

**LOAN NUMBER 4640-AR**

# **Loan Agreement**

**(Family Strengthening and Social Capital Promotion Project)**

**between**

**ARGENTINE REPUBLIC**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated October 3, 2002**

**LOAN NUMBER 4640-AR**

**LOAN AGREEMENT**

AGREEMENT, dated October 3, 2002, between ARGENTINE REPUBLIC (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Bank to assist in the financing of the Project; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

**ARTICLE I**

**General Conditions; Definitions**

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through October 6, 1999) with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

Paragraph (c) of Section 9.07 of the General Conditions is modified to read as follows:

“(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan.”.

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) “Civil Society Group” means a non-government organization or an association duly registered in the Borrower’s territory which meets the criteria set forth in the Operational Manual to participate under Parts A.1 and A.2 of the Project;

(b) “CNM” means *Consejo Nacional de la Mujer*, the Borrower’s National Council of Women;

(c) “Decree No. 1426” means the Borrower’s Decree No. 1426 of August 7, 1992 which created CNM, as such Decree has been amended to the date of this Agreement;

(d) “Eligible Categories” means categories (1) through (3) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(e) “Eligible Expenditures” means the expenditures for goods and services referred to in Section 2.02 of this Agreement;

(f) “Grant” means a grant made or proposed to be made by the Borrower, through CNM, to a Local Government or a Civil Society Group, as the case may be, out of the proceeds of the Loan for purposes of financing a portion of the total cost of a Subproject as provided in Section 3.05 (a) of this Agreement;

(g) “Grant Agreement” means any of the agreements referred to in Section 3.05 (a) of this Agreement;

(h) “Implementation Letter” means the letter of even date herewith from the Borrower to the Bank setting forth the indicators that will be used to monitor and evaluate the progress of the Project;

(i) “Local Government” means the Government of the City of Buenos Aires (*Gobierno de la Ciudad Buenos Aires*) or any municipality or group of municipalities as so defined by the Constitution of a Borrower’s Province in which said municipality is located that meets the criteria set forth in the Operational Manual to participate under Parts A.1 and A.2 of the Project;

(j) “Operational Manual” means the manual referred to in Section 3.04 (a) of this Agreement;

(k) "PIU" means the unit referred to in Section 3.06 (a) of this Agreement;

(l) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;

(m) "Project Preparation Advance" means the Project preparation advance granted by the Bank to the Borrower pursuant to the letter of agreement signed on behalf of the Bank on May 10, 2000;

(n) "Special Account" means the account referred to in Part B of Schedule 1 to this Agreement; and

(o) "Subproject" means any of the projects which will address the subjects referred to in Part A.2 of the Project.

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to CNM.

## **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 five million Dollars (\$5,000,000).

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: (i) amounts disbursed (or, if the Bank shall so agree, to be disbursed) by the Borrower under a Grant to meet the reasonable cost of goods and services required for the carrying out of a Subproject; and (ii) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for Parts A.1, A.3, B and C of the Project and to be financed out of the proceeds of the Loan and in respect of the fee referred to in Section 2.04 of this Agreement.

(b) 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 June 30, 2005 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a front-end fee in the amount of fifty thousand Dollars (\$50,000). On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of said fee.

Section 2.05. 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 2.06. (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 2.07 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) three-fourths of one percent ( $3/4$  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 2.06, 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 new 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 2.07. Interest and other charges shall be payable semiannually in arrears on April 15 and October 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. The Borrower declares its commitment to the objectives of the Project, and, to this end, shall carry out the Project through CNM with due diligence and efficiency and in conformity with appropriate administrative, technical, financial, gender and environmental practices, and shall provide, 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 and consultants' 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 9.07 of the General Conditions and without limitation thereto, the Borrower, through CNM shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months before the Closing Date or such later date as may

be agreed for this purpose between the Borrower and the Bank, a plan designed to ensure the continued achievement of the Project's objective; and

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

Section 3.04. (a) Without limitation to the provisions of Section 3.01 of this Agreement, the Borrower, through CNM, shall carry out the Project in accordance with a manual (the Operational Manual), acceptable to the Bank, providing, *inter alia* for: (i) the criteria for selecting Local Governments and Civil Society Groups under Part A.2 of the Project; (ii) the criteria and guidelines for approving Subprojects; (iii) the terms and conditions of a sample Grant Agreement; and (iv) the procurement and disbursement procedures for the Project.

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

Section 3.05. (a) The Borrower, through CNM, shall upon approval of a Subproject, enter into an agreement (the Grant Agreement) with the Local Government or the Civil Society Group which will be carrying out said Subproject, as the case may be, on terms and conditions satisfactory to the Bank, including, *inter alia*, the obligation of said Local Government or Civil Society Group to contribute at least 20% of the total cost of said Subproject (said contribution to be made either in cash, in kind, through the provision of labor, or by means of any combination thereof).

(b) (i) The Borrower shall exercise its rights under each Grant 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 any Grant Agreement or any provision thereof.

Section 3.06. (a) The Borrower shall maintain and operate within CNM at all times during Project implementation, an implementation unit (the PIU) with functions and responsibilities acceptable to the Bank, including, *inter alia*, the responsibility to assist CNM in the evaluation, monitoring and overall supervision of the Project.

(b) The Borrower shall ensure that the PIU is, at all times during the implementation of the Project, headed by an executive manager and assisted by staff in adequate numbers, with qualifications and experience satisfactory to the Bank.

Section 3.07. Without limitation to the provisions of Section 3.01 of this Agreement, the Borrower through CNM, shall: (a) not later than December 31 of each

year of Project implementation, starting on the year 2002, prepare and furnish to the Bank, an annual operating plan, acceptable to the Bank, providing for, *inter alia*, the Project activities to be carried out during the calendar year following the date of presentation of said plan; and (b) thereafter implement said plan in accordance with its terms.

Section 3.08. The Borrower, through CNM, shall:

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

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about March 31 of each year during Project implementation, starting with the report due on March 31, 2003, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the calendar year preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the calendar year following such date; and

(c) review with the Bank, by April 30 of each year during Project implementation, or such later date as the Bank shall request, starting in the year 2003, the pertinent report referred to in paragraph (b) 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 said report and the Bank's views on the matter.

Section 3.09. The Borrower shall ensure that the institutional status, objectives, and public policies with respect to gender set forth in Decree No. 1426 and the principles contained in numerals 22<sup>nd</sup> and 23<sup>rd</sup> of the Borrower's Constitution, are maintained at all times during the implementation of the Project.

## **ARTICLE IV**

### **Financial Covenants**

Section 4.01. (a) The Borrower shall maintain within CNM a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project and Subprojects.

(b) The Borrower shall:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, 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: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited; and (B) an opinion on such statements, records and accounts and the report of such audit, by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including as part of the information to be provided in such report, a management letter concerning CNM's internal controls; and
- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Bank may from time to time reasonably request.

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least three years after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (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 Project Management Reports or 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.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Bank for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than six months after the Effective Date, or such later date as the Bank shall agree, to prepare quarterly Project management reports, acceptable to the Bank, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report; and (B) shows separately expenditures financed out of the proceeds of the Loan during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Loan during the six-month period following the period covered by said report;
- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Loan, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Bank not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

Section 4.03. For purposes of carrying out the evaluations referred to in Part C.3 of the Project, the Borrower shall: (a) not later than December 31 of each year of Project implementation, starting in the year 2002, hire consultants acceptable to the Bank; and (b) not later than March 31 of each year of Project implementation, starting in March 2003, furnish the report of the corresponding evaluation by said consultants of such scope and in such detail as the Bank shall have reasonably requested with respect to those

Subprojects carried out during the calendar year prior to the date of presentation of said report.

## **ARTICLE V**

### **Effective Date; Termination**

Section 5.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the Operational Manual has been approved by the Bank.

Section 5.02. The date January 2, 2003 is hereby specified for the purposes of Section 12.04 of the General Conditions.

## **ARTICLE VI**

### **Representative of the Borrower; Addresses**

Section 6.01. The Minister of Economy of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministerio de Economía  
Hipólito Yrigoyen 250, 5º piso  
1310 Buenos Aires  
Argentina

Cable address:

Telex:

Facsimile:

MINISTERIO ECONOMIA

121950AR

For the Bank:

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

Cable address:

Telex:

Facsimile:

INTBAFRAD  
Washington, D.C.

248423 (MCI) or  
64145 (MCI)

(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the Province of Buenos Aires, Argentina , as of the day and year first above written.

ARGENTINE REPUBLIC

By /s/Roberto Lavagna  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/Axel van Trotsenburg  
Authorized Representative

## SCHEDULE 1

### Withdrawal of the Proceeds of the Loan

A. General

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

| <u>Category</u>   | Amount of the<br>Loan Allocated<br>(Expressed in<br><u>Dollars</u> ) | % of<br>Expenditures<br><u>to be Financed</u>                       |
|---|--|---|
| (1) Goods under Parts<br>A.3, B and C of the<br>Project | 380,000  | 100% of foreign<br>expenditures and<br>50% of local<br>expenditures |
| (2) Consultants' services and<br>Training               | 1,300,000  | 100%  |
| (3) Subprojects   | 2,570,000  | 100% of amounts<br>disbursed  |
| (4) Refunding of Project<br>Preparation Advance         | 500,000  | Amount due pursuant to<br>Section 2.02 (b) of this<br>Agreement     |
| (5) Front-end fee                                       | 50,000   | Amount due under<br>Section 2.04 of this<br>Agreement               |
| (6) Unallocated   | <u>200,000</u>   |   |
| TOTAL   | <u>5,000,000</u>   |   |

2. For the purposes of this Schedule:

(a) 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;

(b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term “Training” means expenditures (other than those for consultants’ services) incurred by the Borrower to finance the transportation costs and per-diem of trainees, and rental of training facilities under the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of :

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the amount of \$ 500,000, may be made in respect of Categories (1) and (2) set forth in the table in paragraph 1 of Part A on account of payments made for expenditures incurred within twelve months before the date of this Agreement; and

(b) payments made for expenditures under Category (3) set forth in the table in paragraph 1 of this Part A for each Grant unless the corresponding Grant Agreement has been executed by the parties thereto.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under: (a) contracts for goods costing \$50,000 equivalent or less each to be procured under Part B.2 of Section I of Schedule 4 to this Agreement other than the first three contracts for goods to be procured under said Part B.2; (b) contracts for goods to be procured under Subprojects; (c) contracts for the employment of consulting firms costing less than \$100,000 equivalent each; (d) contracts for the employment of individual consultants costing less than \$50,000 equivalent each; and (e) Training as set forth in Category (2) of the table in paragraph 1 of this Part A, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

#### B. Special Account

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

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

(a) until the Bank shall have received: (i) the first Project Management Report referred to in Section 4.02 (b) of this Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Bank of a Project Management Report pursuant to Section 4.02 (b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

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

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

(a) if the Bank determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

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

(c) if the Borrower shall have failed to furnish to the Bank within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

5. The Bank shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole

discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Bank determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

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

(d) Refunds to the Bank made pursuant to subparagraphs (a), (b) or (c) of this paragraph 6 shall be credited to the Loan Account for subsequent withdrawals or for cancellation in accordance with the provisions of the Loan Agreement.

**Annex A  
to  
SCHEDULE 1**

**Operation of Special Account  
When Withdrawals Are Not Made  
On the Basis of Project Management Reports**

1. For the purposes of this Annex, the term “Authorized Allocation” means an amount equal to \$500,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 2 of this Annex.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

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

(b) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.

3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Loan allocated to 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 in respect of expenditures to be financed out of the proceeds of the Loan allocated to said Categories, 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 said 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.

**Annex B  
to  
SCHEDULE 1**

**Operation of Special Account  
When Withdrawals Are Made  
On the Basis of Project Management Reports**

1. Except as the Bank may otherwise specify by notice to the Borrower, all withdrawals from the Loan Account shall be deposited by the Bank into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.
2. Each application for withdrawal from the Loan Account for deposit into the Special Account shall be supported by a Project Management Report.
3. Upon receipt of each application for withdrawal of an amount of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed the amount of \$500,000.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to test and monitor a community social capital approach to address the vulnerability of the poor population in the Borrower's territory by targeting families, as a comprehensive group of individuals, and promoting gender equity within said families.

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:            Family Strengthening

1. Provision of technical assistance to Local Governments and Civil Society Groups to design Subprojects.
2. Carrying out of a demand-driven community-based initiative program which consists of projects to address, *inter alia*, reproductive health, domestic violence, maternal/paternal responsibility, child welfare and educational support and cultural, recreational and environmental awareness, all for the purposes of promoting and strengthening the capacity of families (to benefit from said Subprojects) to actively function within their community.
3. Strengthening of the institutional and operational capacity of Local Governments and Civil Society Groups which primarily demonstrate innovative approaches towards family strengthening and promote more equitable gender relations among family members, through the provision of technical assistance and training and the acquisition and utilization of goods required therefor.

#### Part B:            Gender and Community Awareness

Carrying out of a program which consists, *inter alia*, of: (a) promoting gender awareness and a cohesive relationship among family members on subjects such as parental responsibility, reproductive health choices and respect for non-traditional gender roles; and (b) implementing a communications strategy within the Borrower's territory for the purposes of informing stakeholders with respect to the Project objective.

Part C:            Institutional Development

1.        Strengthening, through the provision of technical assistance, of the capacity of the PIU to assist the CNM in the evaluation, monitoring and supervision of the Project, including the acquisition and utilization of goods.
  
2.        Implementation of a system to monitor and evaluate the carrying out of the Project.
  
3.        Carrying out of annual technical evaluations of the implementation of Subprojects.

\* \* \*

The Project is expected to be completed by December 31, 2004.

**SCHEDULE 3**

**Amortization Schedule**

| <u>Date Payment Due</u>   | <u>Payment of Principal<br/>(Expressed in<br/>Dollars)*</u> |
|---|---|
| On each April 15 and October 15<br>beginning April 15, 2007<br>through October 15, 2016 | 250,000   |

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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**

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

##### Part A: General

Goods 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, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

##### Part B: Procurement Procedures

#### 1. National Competitive Bidding

Goods (other than goods to be procured under Subprojects) estimated to cost more than \$50,000 equivalent per contract, shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines, using standard bidding documents acceptable to the Bank.

#### 2. Shopping

Goods (other than goods to be procured under Subprojects) estimated to cost \$50,000 equivalent or less per contract, up to an aggregate amount not to exceed \$530,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures, at the Borrower’s option, in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

#### 3. Community Participation

Goods and works under Subprojects shall be procured in accordance with procedures acceptable to the Bank, which procedures may include:

(a) national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines;

(b) procurement of works under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from 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; and

(c) direct contracting, with the Bank's prior agreement and in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part C: 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

(a) With respect to each contract for goods (other than goods to be procured under Subprojects) to be procured under Part B.1 of this Section, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to the first three contracts for goods (other than goods to be procured under Subprojects) to be procured in accordance with the procedures referred to in Part B.2 of this Section, the following procedures shall apply:

- (i) prior to the selection of any supplier, the Borrower shall provide to the Bank a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of any contract, the Borrower shall provide to the Bank a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2 (f), 2 (g) and 3 of Appendix 1 to the Guidelines shall apply.

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

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

Individual Consultants

Consultants' services for Subprojects and specialized activities under the Project, as approved by the Bank, that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under 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 Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms for the Project estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms for the Project estimated to cost the equivalent of less than \$100,000, the terms of reference and short list of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

(d) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of less than \$50,000, the terms of reference and short list of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

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