

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7472-AR

Loan Agreement

(Buenos Aires Infrastructure Sustainable Investment Development Project-Phase II)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

PROVINCE OF BUENOS AIRES

Dated May 30, 2008

Public Disclosure Authorized

LOAN AGREEMENT

Agreement dated May 30, 2008, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and PROVINCE OF BUENOS AIRES (“Borrower”). The Bank and the Borrower hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of two hundred seventy million Dollars (\$270,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Commitment Charge payable by the Borrower shall be equal to three-fourths of one percent (3/4 of 1%) per annum on the Unwithdrawn Loan Balance, subject to any waiver of a portion of such charge as may be determined by the Bank from time to time.
- 2.04. The Front-end Fee payable by the Borrower shall be equal to one percent (1.0%) of the Loan amount, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. In the event that the Borrower selects not to capitalize the Front-end Fee, the Borrower shall pay the Front-end Fee not later than 60 days after the Effective Date.
- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread, subject to any waiver of a portion of such interest as may be determined by the Bank from time to time; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions.
- 2.06. The Payment Dates are April 15 and October 15 in each year.

- 2.07. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Agreement.
- 2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objective of the Project and the Program. To this end, the Borrower shall carry out: (a) Part 1 of the Project, through MIHPS (with the participation of DPV); (b) Part 2 of the Project, through MIHPS (with the participation of DIPAC); (c) Part 3 of the Project, through MIHPS (with the participation of DIPSOH); and (d) Parts 4, 5 and 6, through ME, all in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Events of Suspension consist of the following, provided, however, that if any of the events specified in paragraphs (a) or (b) below shall have occurred and be continuing, the suspension of the Borrower’s right to make withdrawals from the Loan Account may be limited by the Bank at the Bank’s sole discretion to withdrawals in respect of those Water and Sanitation Subprojects within the jurisdiction of the pertinent Operator affected by said additional event of suspension:
- (a) That the regulatory framework mentioned in Section I.B (a) (i) (A) of Schedule 2 to this Agreement or any provision thereof shall have been amended, suspended, abrogated, repealed, waived or not enforced in such a manner so as to affect materially and adversely, in the opinion of the Bank, the ability of the Operator to operate and maintain the corresponding Water and Sanitation Subproject.

(b) That any Operator shall have failed to comply with any of its obligations under the corresponding Framework Agreement.

4.02. The Additional Event of Acceleration consists, namely, that any of the events specified in paragraphs (a) or (b) of Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V —TERMINATION

5.01 Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Bank's approval of the Loan which expires on December 26, 2008.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. The Borrower's Address is:
Ministerio de Economía
Calle 8 entre 45 y 46
La Plata
CP 1900 Buenos Aires, Argentina

Facsimile:
0054-221—4294501/02/03

6.03. The Bank's Address is:

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

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Pedro Alba
Authorized Representative

PROVINCE OF BUENOS AIRES

By /s/ Daniel Scioli
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve the social and environmental welfare of approximately five million people living in the Borrower's territory through the improved provision of transport, water and sanitation, and drainage services.

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

Part 1: Provincial Roads

(a) Carrying out of rehabilitation works (such as asphalt concrete overlaying) of about 10 selected road sections of the Borrower's non-concessed interurban primary road network (representing approximately 335 kilometers in the aggregate), of which two adjacent road sections (representing approximately 56 kilometers in the aggregate) will be rehabilitated under the terms of a CREMA Contract, all acceptable to the Bank.

(b) Carrying out of rehabilitation works (such as asphalt concrete overlaying) of 1 selected road section of the Borrower's non-concessed primary paved road network (representing approximately 70 kilometers) located within the *Conurbano Bonaerense*, all acceptable to the Bank.

(c) Carrying out of rehabilitation works (such as removal and replacement of existing pavements) of non-concessed road accesses to the Dock Sud and the Bahia Blanca ports (representing approximately 11 kilometers in the aggregate), all acceptable to the Bank.

(d) Carrying out of rehabilitation works (such as resurfacing, asphalt concrete overlaying or reconstruction of the existing structure over a recycled base course) of about 6 selected road accesses of the Borrower's non-concessed secondary paved network (representing approximately 68 kilometers in the aggregate), all acceptable to the Bank.

(e) Carrying out of: (i) widening and rehabilitation works (within the existing right-of-way) of about 2 selected roads of the Borrower's non-concessed urban primary paved network; and (ii) construction works (which works consist of replacing intersections by more efficient round-about arrangements) of about 2 selected critical black spots of the Borrower's primary paved road network, all acceptable to the Bank.

(f) Carrying out of the 2009-2011 annual routine maintenance programs of the Borrower's non-concessed primary unpaved road network, all in a manner acceptable to the Bank.

Part 2: Water and Sanitation

Carrying out of demand-driven water and sanitation infrastructure investments, which investments consist of the construction of secondary water and sanitation networks, all acceptable to the Bank.

Part 3: Drainage

Carrying out of drainage investments in selected urban and peri-urban areas within the Borrower's territory in order to mitigate flooding caused by rainfalls of high intensity and relatively short duration, which investments consists of, *inter alia*, the optimization and expansion of storm drainage systems and primarily macro-drainage infrastructure based on integrated urban drainage plans, all acceptable to the Bank.

Part 4: Technical Engineering, Feasibility, Design and Benchmarking

Carrying out of the following Project activities involving design and implementation of a strategic framework for provincial infrastructure development (which activities described in Part 4 (b), (c) and (d) herein constitute an expansion of the scope of the activities carried out or to be carried out under the Buenos Aires Infrastructure Sustainable Investment Development Project-Phase I): (a) design of master infrastructure investment plans; (b) carrying out of feasibility studies of infrastructure investments and final engineering design of investments identified by the plans mentioned in (a) herein; (c) identification of infrastructure needs, and thereafter establishment of a set of strategic priorities so as to avoid financing infrastructure investment bottlenecks; and (d) upon completion of the study to design a strategy for coastal erosion control (which is being carried out under the Buenos Aires Infrastructure Sustainable Investment Development Project-Phase I), implementation of the recommendations of said study (including the Bank's views, if any), which recommendations may include the design of infrastructure investments, all acceptable to the Bank.

Part 5: Pre-Investment for Competitiveness and Job Creation

Carrying out of the following Project activities (which activities described in Parts 5 (a), (b) and (c) below constitute an expansion of the scope of the activities carried out or to be carried out under the Buenos Aires Infrastructure Sustainable Investment Development Project-Phase I):

(a) Identification of the Borrower's economic sectors and regions which are likely to play a fundamental role in provincial development, and thereafter, carrying out of sector studies on economic development.

(b) Design of territorial guidelines to promote regional development and stimulate provincial growth and employment within the Borrower's territory.

(c) (i) Carrying out of a review of the regulatory framework governing the investment climate across the economic sectors within the Borrower's territory to identify those regulations which may affect the investment climate; and (ii) thereafter, design a plan which will include, *inter alia*, actions to promote competitiveness, employment and value added generation, and to strengthen the Borrower's institutional capacity to implement private sector development policies.

(d) As a result of the carrying out of the studies mentioned in Part 5 (a) above, implementation, on a pilot basis, of selected policy recommendations to promote competitiveness and employment generation.

Part 6: Institutional Capacity Building for Provincial Infrastructure Service Provision and Oversight

Carrying out of the following Project activities (which activities described in Parts 6 (a) through (d) below constitute an expansion of the scope of the activities carried out or to be carried out under the Buenos Aires Infrastructure Sustainable Investment Development Project-Phase I):

- (a) Carrying out of technical audits and certification of Subprojects.
- (b) (i) Provision of technical support to: (A) DPV, DIPAC and DIPSOH to assist MIHPS in supervising and monitoring Subprojects (including the annual road routine maintenance programs referred to in Part 1 (f) of the Project), and in the planning and design of future infrastructure investments; and (B) DPV in the design and implementation of policies for the control of axle loads.
- (c) Implementation of selected actions identified in the action plan resulting from the carrying out of DPV's institutional diagnosis under the Buenos Aires Infrastructure Sustainable Investment Development Project-Phase I, which actions will assist the DPV to: (i) monitor road network conditions; (ii) make an efficient use of resources; (iii) strengthen its environmental capacity; and (iv) adopt results-oriented management techniques.
- (d) Provision of technical support to the Borrower, through the ME, to continue the implementation of a program to strengthen the capacity of the Borrower's agencies whose mandate is to regulate and control the provision of public services.
- (e) Strengthening of the Borrower's integrated financial management system to continue supporting the development and implementation of said system.

SCHEDULE 2

Project Execution

Section I. Implementation and Other Arrangements

A. The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

B. (a) Without limitation to the provisions of Section 3.01 of this Agreement, the Borrower shall carry out, and/or cause to be carried out, the Project in accordance with a manual, which sets forth, *inter alia*: (i) the eligibility criteria for Water and Sanitation Subprojects (which criteria shall reflect poverty targeting and technical considerations) and Operators (which criteria shall include, *inter alia*: (A) the presence of a regulatory framework, acceptable to the Bank, for the provision of water and sanitation services; (B) that the Operator is in compliance with the pertinent regulatory framework mentioned in (A) herein; (C) that the Operator has furnished evidence, acceptable to the Bank, that the provision of water and sanitation services is being provided within a context of economic and financial sustainability, and in accordance with a cost-recovery mechanism acceptable to the Bank; and (D) the execution of a binding agreement (the Framework Agreement) to be entered into between the Borrower and said Operator, on terms and conditions acceptable to the Bank, which shall include *inter alia*, those set forth in Schedule 4 to this Agreement); (ii) the eligibility criteria for Drainage Subprojects and Road Subprojects; (iii) the environmental guidelines to be followed by the Borrower in carrying out the environmental screening and/or assessments referred to in Section I.D, F and G of this Schedule; (iv) the standard environmental provisions to be included in the bidding documents for the Subprojects to be carried out under the Project (which shall include provisions: (A) to minimize natural habitat conversion or degradation and to permit the maximum growth of natural vegetation (whether it is native grasslands, scrublands, or forests) within the pertinent right of way; and (B) whereby the contractor must comply with: (1) the pertinent provisions of the corresponding environmental management plan (as referred to in Section I.D, F and G of this Schedule); and (2) the actions to be followed in connection with the finding of cultural property); (v) the Project's chart of accounts and internal controls; (vi) the format of: (A) the unaudited interim financial reports referred to in Section II. A.1 (b) (ii) of Schedule 2 to this Agreement; and (B) the Financial Statements; (vii) the terms of reference for carrying out the Project audits under Section II.B.2 of Schedule 2 to this Agreement; (viii) the Project indicators; and (ix) the Project disbursement and procurement procedures.

(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.

C. (a) Without limitations to the provisions of Section 5.10 of the General Conditions, the Bank and the Borrower shall, from time to time during Project implementation, at the request of any of them, exchange views so as to enable the Bank to determine compliance of the Operators in meeting the eligibility criteria set forth in the Operational Manual.

(b) (i) The Borrower shall exercise its rights and carry out its obligations under each Framework 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 Framework Agreement or any provision thereof.

D. Without limitation to the provisions of Section 3.01 (b) of this Agreement and Section I.C above, the Borrower, through MIHPS, and with the assistance of DIPAC, shall:

- (a) prior to the commencement of any given Water and Sanitation Subproject:
 - (i) ensure that each Water and Sanitation Subproject has been prepared by the Borrower with the assistance of the relevant Operator, so that each said Subproject meets the eligibility criteria set forth in the Operational Manual;
 - (ii) carry out an environmental screening and/or an environmental assessment (as the case may be) of the pertinent Water and Sanitation Subproject; and
 - (iii) if appropriate to the nature of the works, approve an environmental management plan, acceptable to the Bank, for said Water and Sanitation Subproject (which plan shall be based on the results of the environmental screening and/or environmental assessment mentioned in (ii) herein and the Bank's comments on the results of said screening and/or assessment, if any); and

(b) immediately after said approval, implement and/or cause to be implemented (as the case may be) the corresponding environmental management plan in accordance with its terms.

E. Without limitation to the provisions of Section I.C and D above, the Borrower shall refrain from presenting to the Bank Loan withdrawal applications and/or withdrawing Loan proceeds from the Designated Account (all under Category (2)) to finance any given Water and Sanitation Subproject located within the jurisdiction of a given Operator, until the Borrower has presented evidence, acceptable to the Bank, indicating that: (i) prior to the commencement of the pertinent works under any said Water and Sanitation Subproject, said Operator has met the eligibility criteria set forth in the Operational Manual; and (ii) the Borrower is in compliance with the pertinent obligations set forth in this Agreement in respect of Water and Sanitation Subprojects.

F. Without limitation to the provisions of Section 3.01 (a) of this Agreement, the Borrower, through MIHPS, and with the assistance of DPV, shall: (a) prior to the commencement of any given Road Subproject or any road maintenance works under Part 1(f) of the Project: (i) carry out an environmental screening and/or an environmental assessment (as the case may be) of the pertinent Road Subproject and/or road maintenance works; and (ii) if appropriate to the nature of the works, approve an environmental management plan, acceptable to the Bank, for said Road Subproject and road maintenance works (which plan shall be based on the results of the environmental screening and/or environmental assessment mentioned in (a) herein and the Bank's comments on the results of said screening and/or assessment, if any), all in accordance with the provisions of the Operational Manual; and (b) immediately after said approval, implement and/or cause to be implemented (as the case may be) the corresponding environmental management plan in accordance with its terms.

G. Without limitation to the provisions of Section 3.01 (c) of this Agreement, the Borrower, through MIHPS, and with the assistance of DIPSOH, shall: (a) prior to the commencement of any given Drainage Subproject: (i) carry out an environmental screening and/or an environmental assessment (as the case may be) of the pertinent Drainage Subproject; and (ii) if appropriate to the nature of the works, approve an environmental management plan, acceptable to the Bank, for said Drainage Subproject (which plan shall be based on the results of the environmental screening and/or environmental assessment mentioned in (a) herein and the Bank's comments on the results of said screening and/or assessment, if any), all in accordance with the provisions of the Operational Manual; and (b) immediately after said approval, implement and/or cause to be implemented (as the case may be) the corresponding environmental management plan in accordance with its terms.

H. The Borrower shall ensure that any Subproject (and/or any road maintenance works under Part 1 (f) of the Project) does not involve any Resettlement.

I. (a) The Borrower shall operate and maintain, at all times during Project implementation, the UCO with a structure, functions and responsibilities acceptable to the Bank, including, *inter alia*, the responsibility of the UCO to administer (on behalf of the Borrower) the proceeds of the Loan withdrawn by the Borrower from the Bank and assist the Borrower in the coordination, monitoring and supervision of the carrying out of the Project.

(b) The Borrower shall ensure that the UCO is, at all times during Project implementation, headed by the Minister of ME (in the capacity of general coordinator) and assisted by an executive coordinator, and other professional staff (such as a procurement specialist) and administrative staff, all in numbers and with qualifications and experience acceptable to the Bank as provided in the Operational Manual.

J. The Borrower shall, prior to the commencement of each calendar year during Project implementation, create, and thereafter maintain throughout each said calendar year of Project implementation, a specific budget line entry in the relevant annual budget in order to keep track of the corresponding expenditures incurred during Project implementation.

K. (a) For purposes of carrying out Part 6 (a) of the Project, the Borrower shall: (i) not later than March 31, 2008, hire, or cause to be hired, a technical auditor, acceptable to the Bank, with professional qualifications and experience acceptable to the Bank, for purposes of carrying out monthly technical audits (under terms of reference acceptable to the Bank) of the progress of the works under Road Subprojects (excluding the CREMA Contract under Part 1 (a) of the Project), Water and Sanitation Subprojects and Drainage Subprojects being carried out during the pertinent calendar month and the corresponding payment made by the Borrower to the respective contractor, if applicable, in accordance with the pertinent works contract; (ii) not later than thirty calendar days after the end of each calendar month during Project implementation, starting with the calendar month in which the auditor referred to in (i) herein was hired, cause said auditor to commence, on behalf of the Borrower, said monthly technical audits; and (iii) not later than thirty calendar days after the end of each calendar semester (starting with the calendar semester ending in June 2008) prepare and furnish to the Bank, a report of such scope and in such detail as the Bank shall reasonably request concerning the results of the monthly audits carried out during said calendar semester, and the actions mentioned in paragraph (b) below, if any.

(b) If any of the monthly technical audits mentioned in paragraph (a) (ii) above, identifies any irregularity, the Borrower shall immediately thereafter take and/or cause to be

taken, as the case may be, all necessary actions to address said irregularity in a manner acceptable to the Bank.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. (a) The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators set forth in the Operational Manual. Each Project Report shall cover the period of one calendar semester (starting with the first calendar semester if the year 2008), and shall be furnished to the Bank not later than forty five days after the end of the period covered by such report.

(b) The Borrower shall include, as part of the information to be included in the Progress Reports: (i) a summary of the Eligible Expenditures incurred during the calendar semester covered by the pertinent Progress Report and their corresponding payment (including those expenditures incurred during said period of time which are not financed by the Loan); and (ii) the interim unaudited financial reports for the Project covering the calendar semester in question, all in form and substance satisfactory to the Bank.

(c) For purposes of Section 5.08 (b) of the General Conditions, the Borrower shall, not later than March 31 of each year of Project implementation (starting in the year 2009), exchange views with the Bank (the annual reviews).

2. Without limitation to the provisions of Section II.A.1 above, the Borrower shall, not later than 45 days after the completion of each calendar quarter during Project implementation (starting with the first calendar quarter of the year 2008), prepare and furnish to the Bank, a report of such scope and in such detail as the Bank may reasonably request, on the progress made by the Borrower in the carrying out of the corresponding annual road routine maintenance program referred to in Part 1 (f) of the Project.

3. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than six months before the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

3. The Borrower shall, not later than March 31, 2008, hire an auditor on the terms provided in Section 5.09 (b) (i) of the General Conditions for purposes of assisting the Borrower in complying with its obligation referred to in paragraph 2 above.

Section III. Procurement

A. General

1. **Goods, Works and Non-Consultant Services.** All goods, works and Non-Consultant Services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

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

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, the Consultant Guidelines, or in the Appendix to this Agreement, as the case may be.

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

(a) procurement of goods, works, Non-Consultant Services and consultants' services (in respect of firms) shall be carried out using standard bidding documents (which bidding documents in respect of works shall include, if applicable, a provision whereby the pertinent contractor must comply with the pertinent provisions of the Operational Manual and the corresponding environmental management plan referred to in Section I.D, F and G of this Schedule) and standard requests for quotations/proposals, all acceptable to the Bank, which shall all include, *inter alia*, a settlement of dispute provision;

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

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

(d) after the public opening of bids for goods, works and Non-Consultant Services, information relating to the examination, clarification and evaluation of bids and recommendations concerning awards, shall not be disclosed to bidders or other persons not officially concerned with this process until the publication of contract award. In addition, bidders and/or other persons not officially concerned with said process shall not be allowed to review or make copies of other bidders' bids;

(e) after the public opening of consultants' proposals, information relating to the examination, clarification and evaluation of proposals and recommendations concerning awards, shall not be disclosed to consultants or other persons not officially concerned with this process until the publication of contract award (except as provided in paragraphs 2.20 and 2.27 of the

Consultant Guidelines). In addition, consultants and/or other persons not officially concerned with said process shall not be allowed to review or make copies of other consultants' proposals;

(f) bidders or consultants shall not, as a condition for submitting bids or proposals and/or for contract award: (i) be required to be registered in Argentina; (ii) have a representative in Argentina; and (iii) be associated or subcontract with Argentine suppliers, contractors or consultants;

(g) the invitations to bid, bidding documents, minutes of bid openings, requests for expressions of interest and the pertinent summary of the evaluation reports of bids and proposals of all goods, works, Non-Consultant Services and consultants' services, as the case may be, shall be published by the Borrower in a web page acceptable to the Bank, and in a manner acceptable to the Bank. The bidding period shall be counted from the date of publication of the invitation to bid or the date of the availability of the bidding documents, whichever is later, to the date of bid opening;

(h) the provisions set forth in paragraphs 2.49, 2.50, 2.52, 2.53, 2.54 and 2.59 of the Procurement Guidelines shall also be applicable to contracts for goods, works and Non-Consultant Services to be procured under National Competitive Bidding procedures;

(i) references to bidders in one or more specialized magazines shall not be used by the Borrower in determining if the bidder in respect of goods whose bid has been determined to be the lowest evaluated bid has the capability and resources to effectively carry out the contract as offered in the bid, as referred to in the provision set forth in paragraph 2.58 of the Procurement Guidelines. The provision set forth in paragraph 2.58 of the Procurement Guidelines (including the limitation set forth herein) shall also be applicable to contracts for goods to be procured under National Competitive Bidding procedures;

(j) no domestic preference established by Law No. 7.764 shall be allowed in the evaluation of bids for goods, works and Non-Consultant Services;

(k) witness prices shall not be used as a parameter for bid evaluation, bid rejection or contract award;

(l) the Borrower shall: (i) supply the Bank's publicly accessible Procurement Plans Execution System (SEPA) with the information contained in the initial Procurement Plan within 30 days after such plan has been approved by the Bank; and (ii) update the Procurement Plan at least biannually, or as required by the Bank, to reflect the actual project implementation needs and progress and shall supply said Bank's Procurement Plans Execution System with the information contained in the updated Procurement Plan immediately thereafter;

(m) consultants shall not be required to submit bid or performance securities; and

(n) the types of contracts described in Section IV of the Consultant Guidelines shall be the only types of contracts to be used by the Borrower in connection with the contracting of consultants' services provided by a firm and to be financed with the proceeds of the Loan.

B. Particular Methods of Procurement of Goods, Works and Non-Consultant Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and Non-Consultant Services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works and Non-Consultant Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and Non-Consultant Services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method</u>
(a) National Competitive Bidding
(b) Shopping
(c) Direct Contracting

For purposes of paragraph 2 (a) herein, and without limitation to the provisions of paragraphs 3.3 and 3.4 of the Procurement Guidelines, the term National Competitive Bidding means the pertinent competitive procedures used by the Borrower for public provincial procurement.

C. Particular Methods of Procurement of Consultants' Services

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

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

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

D. Review by the Bank of Procurement Decisions

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank: (a) each contract for goods estimated to cost the equivalent of \$300,000 or more; (b) each contract for works estimated to cost the equivalent of \$3,000,000 or more; (c) each contract for Non-Consultant Services estimated to cost the equivalent of \$100,000 or more; (d) each contract to be procured on the basis of Direct

Contracting; and (e) each contract for consultants' services provided by a firm: (i) estimated to cost the equivalent of \$200,000 or more; or (ii) on the basis of Single-Source Selection.

In addition, the following prior review procedures shall apply to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more: (a) the report on the comparison of the qualifications and experience of the candidates, the terms of reference and conditions of employment of the consultant shall be furnished to the Bank for its prior review and approval; (b) the contract shall be awarded only after the Bank's approval shall have been given; and (c) the provisions of paragraph 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to the contract.

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

Section IV. Withdrawal of Loan Proceeds

A. General

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

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

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed
(1) Works and goods under Road Subprojects	107,000,000	79%
(2) Works and goods under Water and Sanitation Subprojects	110,000,000	79%
(3) Works and goods under Drainage Subprojects	32,400,000	79%
(4) Goods, consultants' services and/or Non-Consultant Services under Parts 4, 5 and 6 of the Project	18,900,000	95%
(5) Training under Parts 4, 5 and 6 of the Project	1,700,000	100%
(6) Front-end Fee	0	Amounts payable pursuant to Section 2.04 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
TOTAL AMOUNT	270,000,000	

For purposes of this table, the term "Training" means expenditures (other than those for consultants' services) incurred by the Borrower, as approved by the Bank on the basis of an annual budget acceptable to the Bank, to finance reasonable transportation costs and per-diem of trainees and trainers (if applicable), training registration fees, and rental of training facilities and equipment under the Project.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

(a) from the Loan Account until the Bank has received payment in full of the Front-end Fee, if applicable; and

(b) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$50,000,000 equivalent may be made for payments made prior to this date but on or after May 17, 2007 (but in no case more than one year prior to the date of this Agreement) for Eligible Expenditures for Categories (1) through (3), if the pertinent obligations set forth in this Agreement, as applicable to each Eligible Expenditure have been complied with.

2. The Closing Date is February 15, 2012.

Section V. Other Undertakings

The Borrower, through ME shall: (a) not later than May 15 and November 15 of each year of Project implementation (starting in May 2008), prepare and furnish to the Bank, a report of such scope and in such detail as the Bank shall reasonably request concerning the development of the Fiscal Indicators; and (b) not later than thirty days after the presentation of each such report, afford the Bank a reasonable opportunity to exchange views with the Borrower so as to review each pertinent report.

SCHEDULE 3

Amortization Schedule

1. Subject to the provisions of paragraph 2 of this Schedule, the Borrower shall repay each Disbursed Amount in semiannual installments payable on each April 15 and October 15, the first installment to be payable on the ninth-(9th) Interest Payment Date following the Maturity Fixing Date for the Disbursed Amount and the last installment to be payable on the twentieth second-(22nd) Interest Payment Date following the Maturity Fixing Date for the Disbursed Amount. Each installment except for the last one shall be equal to one-fourteenth (1/14) of the Disbursed Amount. The last installment shall be equal to the remaining outstanding amount of the Disbursed Amount.
2. If any one or more installments of principal of the Disbursed Amount would, pursuant to the provisions of paragraph 1 of this Schedule, be payable after April 15, 2023, the Borrower shall also pay on such date the aggregate amount of all such installments.
3. The Bank shall notify the Loan Parties of the amortization schedule for each Disbursed Amount promptly after the Maturity Fixing Date for the Disbursed Amount.
4. Notwithstanding the provisions of paragraphs 1 through 3 of this Schedule, in the event of a Currency Conversion of all or any portion of a Disbursed Amount to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

SCHEDULE 4

Terms and Conditions of Framework Agreements

Each Framework Agreement shall contain, inter alia, the following provisions:

1. With respect to the Operator:

(a) a legal representation that, through the signing of the Framework Agreement, it has provided its written consent to permit the Borrower to carry out Water and Sanitation Subprojects located within the jurisdiction of said Operator;

(b) a legal representation that the Framework Agreement has been duly authorized or ratified by the Operator and is legally binding upon the Operator in accordance with its terms;

(c) a legal representation that it has adhered to, and/or is regulated by, the regulatory framework mentioned in Section I.B (a) (i) (A) of Schedule 2 to the Loan Agreement;

(d) a legal representation that the Water and Sanitation Subprojects meet the eligibility criteria set forth in the Operational Manual and that each said subproject is technically feasible, and has been prepared and design with the assistance of the Borrower; and

(e) the obligation of the Operator:

(i) to comply with the pertinent provisions of the Anti-Corruption Guidelines;

(ii) to ensure that the provision of water and sanitation services is provided within a context of economic and financial sustainability, and in a accordance with a cost-recovery mechanism acceptable to the Bank;

(iii) to take all necessary action within its jurisdiction to permit the Borrower to carry out the Water and Sanitation Subprojects;

(iv) to designate a representative to carry out jointly with the Borrower's representative the supervision of the Water and Sanitation Subprojects;

(v) to issue a certificate of acceptance upon satisfactory completion of a Water and Sanitation Subproject, and to thereafter operate and maintain the same in accordance with the regulatory framework referred to in Section I.B (a) (i) (A) of Schedule 2 to the Loan Agreement;

(vi) to comply with the provisions of the regulatory framework mentioned in Section I.B (a) (i) (A) of Schedule 2 to the Loan Agreement; and

(vii) not to amend, terminate, derogate, abrogate, waive or fail to enforce the Framework Agreement or any provision thereof without the previous consent of the Bank.

2. With respect to the Borrower:

(a) a legal representation that the Framework Agreement has been duly authorized or ratified by the Borrower and is legally binding upon the Borrower in accordance with its terms; and

(b) the obligation of the Borrower:

(i) to ensure that each Water and Sanitation Subproject is carried out in accordance with the provisions of the Anti-Corruption Guidelines;

(ii) to carry out the Water and Sanitation Subprojects in accordance with the pertinent provisions of the Loan Agreement;

(iii) to finance the total cost of the carrying out of Water and Sanitation Subprojects;

(iv) to take all appropriate actions to enable the pertinent Operator to make the legal representation mentioned in paragraph 1 (d) above; and

(v) upon satisfactory completion of a Water and Sanitation Subproject, and the corresponding acceptance of said fact by the Operator, to transfer to the Operator the possession (*tenencia*) of said Water and Sanitation Subproject, in a manner acceptable to the Bank.

APPENDIX

Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Buenos Aires Infrastructure Sustainable Investment Development Project-Phase I” means the Borrower’s project financed in part with the proceeds of the Bank’s Loan No. 7268-AR pursuant to the terms set forth in the Loan Agreement entered into between the Bank and the Borrower on March 8, 2005 (as said Loan Agreement has been amended to the date of this Agreement), which project constitutes the first phase of the Program (as defined below).
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
5. “*Conurbano Bonaerense*” means the area covered by the following Municipalities: Almirante Brown, Avellaneda, Berazategui, Esteban Echeverría, Ezeiza, Florencio Varela, General San Martín, Hurlingham, Ituzaingo, José C. Paz, La Matanza, Lanus, Lomas de Zamora, Malvinas Argentinas, Merlo, Moreno, Morón, Presidente Perón, Quilmes, San Fernando, San Isidro, San Miguel, San Vicente, Tres de Febrero, Tigre and Vicente López.
6. “CREMA Contract” means a multi-year contract entered into by the Borrower, through DPV (as defined below), with a private sector contractor, which contract obligates the private sector contractor to undertake all phases of road rehabilitation and maintenance work as a single package, from design and programming of the works, through the execution of such works, with respect to an identified portion of the Borrower’s interurban primary road network.
7. “DIPAC” means *Dirección Provincial de Servicios Públicos de Agua y Cloacas*, the Borrower’s Provincial Water and Sewerage Public Services Directorate established within MIHPS (as defined below).
8. “DIPSOH” means *Dirección Provincial de Saneamiento y Obras Hidráulicas*, the Provincial Sewerage and Hydraulic Directorate established within MIHPS (as defined below).
9. “DPV” means *Dirección Provincial de Vialidad*, the Borrower’s Provincial Road Agency established under the jurisdiction of MIHPS (as defined below) pursuant to the Borrower’s Decree Law No. 7.943/72 of November 21, 1972, as said Decree Law has been amended to the date of this Agreement.

10. “Drainage Subproject” means any of the investments under Part 3 of the Project which meet the criteria set forth in the Operational Manual (as defined below).
11. “Fiscal Indicators” means the Borrower’s fiscal, debt and financial indicators in respect of the provincial general administration (*Administración Provincial General*) and the provincial non-financial administration (*Administración Provincial No Financiera*) described in the letter of even date herewith from the Borrower to the Bank.
12. “Framework Agreement” means any of the agreements referred to in Section I.B (a) (i) (D) of Schedule 2 to this Agreement.
13. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through October 15, 2006).
14. “Law No. 7.764” means the Borrower’s Law No. 7.764 of August 31, 1971, governing, *inter alia*, public procurement, and such term also includes the regulations to said law concerning public procurement, as said law and regulations have been amended to the date of this Agreement.
15. “ME” means *Ministerio de Economía*, the Borrower’s Ministry of Economy.
16. “MIHPS” means *Ministerio de Infraestructura, Vivienda y Servicios Públicos*, the Borrower’s Ministry of Infrastructure, Housing and Public Services.
17. “Municipalities” means any of the Borrower’s political subdivisions.
18. “Non-Consultant Services” means services under the Project, which services will be bid and contracted on the basis of performance of measurable physical outputs.
19. “Operational Manual” means the Borrower’s manual, acceptable to the Bank, dated June 16, 2005 and referred to in Section I.B (a) of Schedule 2 to this Agreement, as the same may be amended from time to time with the agreement of the Bank.
20. “Operator” means a water and sanitation utility which is either publicly owned and/or controlled (including a Municipality (as defined above)) or privately owned (including a cooperative) which has been granted and/or assigned the responsibility to provide water and sanitation services within the Borrower’s territory.
21. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
22. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated May 17, 2007 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
23. “Program” means the Borrower’s program (consisting of two phases) set forth or referred to in the letter dated November 10, 2004 from the Borrower to the Bank, as said program has been updated for purposes of the Project (the second phase of the Program), through the letter dated June 6, 2007 from the Borrower to the Bank.

24. “Resettlement” means the impact of an involuntary taking of land under the Project, which taking causes affected persons to have their: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently.
25. “Road Subproject” means any of the investments under Part 1 (a) through (e) of the Project which meet the criteria set forth in the Operational Manual (as defined above).
26. “Subproject” means a Drainage Subproject, a Road Subproject and/or a Water and Sanitation Subproject (as the case may be).
27. “UCO” means *Unidad de Coordinación con Organismos Multilaterales de Crédito*, the Borrower’s Unit for Coordination with Multilateral Credit Organizations (established within ME (as defined above) pursuant to the Borrower’s Decree No. 258/02 of February 7, 2002), and acting as the Project coordination unit, or any successor thereto acceptable to the Bank.
28. “Water and Sanitation Subproject” means any of the investments under Part 2 of the Project which meet the criteria set forth in the Operational Manual (as defined above).