Re: IBRD Loan 8008-AR (Public Sector Strengthening Program – APL I)
Additional Instructions: Second Amendment to the Disbursement Letter

Dear Mr. Beder Herrera:

I refer to the Loan Agreement between the International Bank for Reconstruction and Development (the “Bank”) and the Province of La Rioja (the “Borrower”) for the above-referenced Project, dated May 30, 2011. The Agreement provides that the Bank may issue additional instructions regarding the withdrawal of the proceeds of Loan 8008-AR (“Loan”). This letter (“Disbursement Letter”), as revised from time to time, constitutes the additional instructions.

This is the second amendment of the Disbursement Letter dated May 30, 2011 and of its first restatement dated February 26, 2014, for the above referenced project. This letter restates Section III. 1. Withdrawal Application Schedule of the Disbursement Letter in accordance with the Second Amendment to the Loan Agreement. All other provisions and attachments of the Disbursement Letter dated May 30, 2011 and February 26, 2014, except as amended, shall remain in force and effect.

The attached World Bank Disbursement Guidelines for Projects, dated May 1, 2006, (“Disbursement Guidelines”) (Attachment 1), are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Loan is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

I. Disbursement Arrangements

(i) Disbursement Methods (section 2). The following Disbursement Methods may be used under the Loan:

- Reimbursement
- Advance
- Direct Payment
(ii) **Disbursement Deadline Date (subsection 3.7).** The Disbursement Deadline Date is four (4) months after the Closing Date. Any changes to this date will be notified by the Bank.

(iii) **Disbursement Conditions (subsection 3.8).** Please refer to the Disbursement Condition(s) in the Loan Agreement (see Section B of Schedule 2 to the Loan Agreement).

**II. Withdrawal of Loan Proceeds**

**A. Authorized Signatures and Applications.**

(i) **Authorized Signatures (subsection 3.1).** A letter in the Form attached (Attachment 2) should be furnished to the Bank at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank  
Torre Bouchard  
Bouchard 547  
Buenos Aires, Argentina  
Attention: Jesko S. Hentschel, Country Director, Argentina, Paraguay and Uruguay.

(ii) **Applications (subsections 3.2 - 3.3).** Please provide completed and signed applications for withdrawal, together with supporting documents, to the address indicated below:

Banco Mundial  
Sector Comercial Norte,  
Quadra 02, Lote A  
Edificio Corporate Finance Center  
7º andar  
70712-900 Brasilia, D.F.  
Brazil  
Attention: Loan Department

(iii) **Electronic Delivery (subsection 3.4)** The Bank may permit the Borrower to electronically deliver to the Bank Applications (with supporting documents) through the Bank’s Client Connection, web-based portal. The option to deliver Applications to the Bank by electronic means may be effected if: (a) the Borrower has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification credentials (“SIDC”) from the Bank for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Borrower have registered as users of Client Connection. If the Bank agrees, the Bank will provide the Borrower with SIDC for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (https://clientconnection.worldbank.org). The Borrower may continue to exercise the option of preparing and delivering Applications in paper form. The Bank reserves the
right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Borrower.

(iv) Terms and Conditions of Use of SIDC to Process Applications. By designating officials to use SIDC and by choosing to deliver the Applications electronically, the Borrower confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Credentials in connection with Use of Electronic Means to Process Applications and Supporting Documentation (“Terms and Conditions of Use of Secure Identification Credentials”) provided in Attachment 2; and (b) to cause such official to abide by those terms and conditions.

B. Component 1. Tax Administration Improvement Program, Strengthening and Improving Quality of Expenditure, and Improving Rural Water Management (Part 1 of the Project).

(i) Advances (Sections 5 and 6).

- **Type of Designated Account (subsection 5.3):** Segregated - Specific for the project and exclusively for Loan proceeds.

- **Currency of Designated Account (subsection 5.4):** United States Dollars (USD).

- **Financial Institution at which the Designated Account Will Be Opened (subsection 5.5):** Banco de la Nación Argentina.

- **Ceiling (subsection 6.1):** project expenditures, as provided in the semiannual Interim unaudited Financial Reports (IFRs), subject to the amounts and conditions described in “III. Other Disbursement Instructions” Withdrawal Application Schedule, below.

(ii) Reporting on Use of Loan Proceeds

- **Supporting Documentation (section 4).** Supporting documentation should be provided with each application for withdrawal as set out below:

  **For requests for Reimbursement and for reporting eligible expenditures paid from the Designated Account:**

  - Interim Unaudited Financial Report in the form attached (Attachment 3); detailing, among other things, amounts to be advanced and actual eligible expenditures and;
  - List of payments against contracts that are subject to the Bank’s prior review, in the form attached (Attachment 4).

- **Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3):** As described in “III. Other Disbursement Instructions” – Withdrawal Application Schedule, below.
C. **Component 2. Public Sector Management Technical Assistance (Part 2 of the Project).**

(i) **Minimum Value of Applications (subsection 3.5).**

- **Direct Payment.** The minimum value of applications is $100,000 United States Dollars; and
- **Reimbursement.** The minimum value of applications is $40,000 United States Dollars.

(ii) **Advances (sections 5 and 6).**

- **Type of Designated Accounts (subsection 5.3):** Segregated – specific for the project and exclusively for Loan proceeds.

- **Currency of Designated Accounts (subsection 5.4):** United States Dollars (USD).

- **Financial Institution at which the Designated Accounts Will Be Opened (subsection 5.5):** Banco de la Nación Argentina.

- **Ceiling (subsection 6.1):** $600,000 United States Dollars (USD).

(iii) **Reporting on Use of Loan Proceeds**

- **Supporting Documentation (section 4).** Supporting documentation should be provided with each application for withdrawal as set out below:

  **For requests for Reimbursement and for reporting eligible expenditures paid from the Designated Account:**

  - Interim Unaudited Financial Report in the form attached (Attachment 3); detailing, among other things, amounts to be advanced and actual eligible expenditures and;
  - List of payments against contracts that are subject to the Bank’s prior review, in the form attached (Attachment 4).

  **For requests for direct payment:** records evidencing eligible expenditures, e.g., copies of receipts, suppliers’ invoices.

- **Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3):** Minimum frequency: Semiannual.

- **Other Supporting Documentation Instructions** - A Designated Account activity reconciliation statement and Bank Statement should be submitted with each withdrawal application reporting on the use of Loan proceeds from the Designated Account.
III. Other Disbursement Instructions

1. Withdrawal Application Schedule

Each withdrawal application for Disbursement Category (1), for the SWAp Part of the Project - Eligible Expenditure Programs (Part 1 of the Project) shall be presented using the following schedule:

(a) a first withdrawal shall be made, on the Effective Date or promptly thereafter, as a reimbursement, on or around March 1, 2011, for Eligible Expenditures under the EEPs for payments made up to one year before the date of signature of the Loan Agreement, limited to up to 20 percent of the loan amount (USD 6,000,000), to be reported to the Bank in Argentinian Pesos (ARS) and to be reimbursed in United States Dollars (USD), if the Borrower has furnished to the Bank: (i) the pertinent Interim Unaudited Financial Report (the IFR on EEPs Report) prepared in accordance with the provisions of the Operational Manual documenting the Eligible Expenditures under the EEPs for the period mentioned herein; and (ii) evidence satisfactory to the Bank, including TTL confirmation, that: (A) at least 50% of $35,100,000 Argentinian Pesos of the EEPs mentioned herein, have been disbursed by the Borrower in said period, and that executed budget is at least equivalent to USD 6,000,000, and (B) evidence, acceptable to the Bank, on the compliance with the DLIs as per Schedule 5 of the Loan Agreement.

(b) a second withdrawal, as an advance, on or around March 1, 2011, for Eligible Expenditures under the EEPs to be paid during the 1st semester of 2011 (January-June), in an amount not exceeding the equivalent to USD 3,000,000, to be paid in United States Dollars (USD), if the Borrower has furnished to the Bank (i) the pertinent IFR on EEPs Report (this is actually just a cash-flow forecast, which is part of the IFR; no reporting on eligible expenditures at this stage) prepared in accordance with the provisions of the Operational Manual forecasting the Eligible Expenditures and the Bank’s share in the financing of such Eligible Expenditures, under the EEPs for the period mentioned herein; and (ii) evidence to be approved by the Project TTL that the Borrower’s Legislature has approved an annual budget consistent with the Government projections specified in the Schedule 4 of the loan agreement (variations with the projections will have to be explained).

(c) a third withdrawal on or around October 1, 2011, for Eligible Expenditures under the EEPs to be paid during the 2nd semester of 2011 (July-December), in an amount not exceeding the equivalent to USD 3,000,000, to be paid in United States Dollars (USD), if the Borrower has furnished to the Bank: (i) the pertinent IFR on EEPs Report prepared in accordance with the provisions of the Operational Manual, documenting the Eligible Expenditures under the EEPs for the period mentioned in (b) herein and forecasting the Eligible Expenditures and the Bank’s share in the financing of such Eligible Expenditures, under the EEPs for the period mentioned herein; and (ii) evidence satisfactory to the Bank, including TTL confirmation, that: (A) at least 70% of the EEPs for the 1st semester of 2011 (January-June), have
been disbursed by the Borrower in said calendar semester, and (B) evidence, acceptable to the Bank, on the compliance with corresponding DLIs as per Schedule 5 of the Loan Agreement.

(d) A **fourth** withdrawal on or around March 1, 2012, for Eligible Expenditures under the EEPs to be paid during the 1st semester of 2012 (January-June), in an amount not exceeding the equivalent to USD 3,000,000, to be paid in United States Dollars (USD), if the Borrower has furnished to the Bank: (i) the pertinent IFR on EEPs Report prepared in accordance with the provisions of the Operational Manual, documenting the Eligible Expenditures under the EEPs for the period mentioned in (c) herein and forecasting the Eligible Expenditures and the Bank’s share in the financing of such Eligible Expenditures, under the EEPs for the period mentioned herein; (ii) evidence to be approved by the Project TTL that the Borrower’s Legislature has approved an annual budget consistent with the Government projections specified in the Schedule 4 of the loan agreement (variations with the projections will have to be explained); and (iii) evidence satisfactory to the Bank, including TTL confirmation, that: (A) at least 70% of the EEPs for the 2nd semester of 2011 (July-December), have been disbursed by the Borrower in said calendar semester, and (B) evidence, acceptable to the Bank, on the compliance with corresponding DLIs as per Schedule 5 of the Loan Agreement.

(e) A **fifth** withdrawal on or around October 1, 2012, for Eligible Expenditures under the EEPs to be paid during the 2nd semester of 2012 (July-December), in an amount not exceeding the equivalent to USD 3,000,000, to be paid in United States Dollars (USD), if the Borrower has furnished to the Bank: (i) the pertinent IFR on EEPs Report prepared in accordance with the provisions of the Operational Manual, documenting the Eligible Expenditures under the EEPs for the period mentioned in (d) herein and forecasting the Eligible Expenditures and the Bank’s share in the financing of such Eligible Expenditures, under the EEPs for the period mentioned herein; and (ii) evidence satisfactory to the Bank, including TTL confirmation, that: (A) at least 70% of the EEPs for the 1st semester of 2012 (January-June), have been disbursed by the Borrower in said calendar semester, and (B) evidence, acceptable to the Bank, on the compliance with corresponding DLIs as per Schedule 5 of the Loan Agreement.

(f) A **sixth** withdrawal on or around March 1, 2013, for Eligible Expenditures under the EEPs to be paid during the 1st semester of 2013 (January-June), in an amount not exceeding the equivalent to USD $ 1,000,000, to be paid in United States Dollars (USD), if the Borrower has furnished to the Bank: (i) the pertinent IFR on EEPs Report prepared in accordance with the provisions of the Operational Manual, documenting the Eligible Expenditures under the EEPs for the period mentioned in (e) herein and forecasting the Eligible Expenditures and the Bank’s share in the financing of such Eligible Expenditures, under the EEPs for the period mentioned herein; (ii) evidence to be approved by the Project TTL that the Borrower’s Legislature has approved an annual budget consistent with the Government projections specified in the Schedule 4 of the loan agreement (variations with the
projections will have to be explained); and (iii) evidence satisfactory to the Bank, including TTL confirmation, that: (A) at least 70% of the EEPs for the 2nd semester of 2012 (July-December), have been disbursed by the Borrower in said calendar semester, and (B) evidence, acceptable to the Bank, on the compliance with corresponding DLIs as per Schedule 5 of the Loan Agreement.

(g) a seventh withdrawal on or around October 1, 2013, for Eligible Expenditures under the EEPs to be paid during the 2nd semester of 2013 (Jul-December), in an amount not exceeding the equivalent to USD $ 1,000,000, to be paid in United States Dollars (USD), if the Borrower has furnished to the Bank: (i) the pertinent IFR on EEPs Report prepared in accordance with the provisions of the Operational Manual, documenting the Eligible Expenditures under the EEPs for the period mentioned in (d) herein and forecasting the Eligible Expenditures and the Bank’s share in the financing of such Eligible Expenditures, under the EEPs for the period mentioned herein; and (ii) evidence satisfactory to the Bank, including TTL confirmation, that: (A) at least 70% of the EEPs for the 1st semester of 2013 (January-June), have been disbursed by the Borrower in said calendar semester, and (B) evidence, acceptable to the Bank, on the compliance with corresponding DLIs as per Schedule 5 of the Loan Agreement;

(h) an eighth withdrawal on or around September 1, 2015, for Eligible Expenditures under the EEPs paid during the 1st semester of 2014, 2nd semester of 2014 and 1st semester of 2015 (January 2014-June, 2015), in an amount not exceeding the equivalent to USD 1,000,000, if the Borrower has furnished to the Bank: (i) the pertinent IFR on EEPs Report prepared in accordance with the provisions of the Operational Manual, documenting the Eligible Expenditures under the EEPs for the periods mentioned herein; and (ii) evidence satisfactory to the Bank, including TTL confirmation, that: (A) at least 70% of the EEPs for the 2nd semester 2013 (June – Dec), 1st semester 2014 (Jan – Jun) and 2nd semester 2014 (Jul – Dec), have been disbursed by the Borrower in said calendar semesters, and (B) evidence, acceptable to the Bank, on the compliance with corresponding DLIs as per Schedule 5 of the Loan Agreement;

(i) a ninth withdrawal on or around March 1, 2016, for Eligible Expenditures under the EEPs paid during the 2nd semester of 2015 (July-December), in an amount not exceeding the equivalent to USD 500,000, if the Borrower has furnished to the Bank: (i) the pertinent IFR on EEPs Report prepared in accordance with the provisions of the Operational Manual, documenting the Eligible Expenditures under the EEPs for the period mentioned herein (ii) evidence to be approved by the Project TTL that the Borrower’s Legislature has approved an annual budget consistent with the Government projections specified in the Schedule 4 of the loan agreement (variations with the projections will have to be explained); and (iii) evidence satisfactory to the Bank, including TTL confirmation, that: (A) at least 70% of the EEPs for the 1st semester of 2015 (Jan – June), have been disbursed by the Borrower in said calendar semester, and (B) evidence, acceptable to the Bank,
on the compliance with corresponding DLIs as per Schedule 5 of the Loan Agreement;

(j) a tenth withdrawal on or around September 1, 2016, for Eligible Expenditures under the EEPs paid during the 1st semester of 2016 (January-June), in an amount not exceeding the equivalent to USD 500,000, if the Borrower has furnished to the Bank: (i) the pertinent IFR on EEPs Report prepared in accordance with the provisions of the Operational Manual, documenting the Eligible Expenditures under the EEPs for the period mentioned herein; and (ii) evidence satisfactory to the Bank, including TTL confirmation, that: (A) at least 70% of the EEPs for the 2nd semester of 2015 (July-December), have been disbursed by the Borrower in said calendar semester, and (B) evidence, acceptable to the Bank, on the compliance with corresponding DLIs as per Schedule 5 of the Loan Agreement;

(k) an eleventh withdrawal on or around March 1, 2017, for Eligible Expenditures under the EEPs paid during the 2nd semester of 2016 (July-December), in an amount not exceeding the equivalent to USD 1,000,000, if the Borrower has furnished to the Bank: (i) the pertinent IFR on EEPs Report prepared in accordance with the provisions of the Operational Manual, documenting the Eligible Expenditures under the EEPs for the period mentioned herein; (ii) evidence to be approved by the Project TTL that the Borrower’s Legislature has approved an annual budget consistent with the Government projections specified in the Schedule 4 of the loan agreement (variations with the projections will have to be explained); and (iii) evidence satisfactory to the Bank, including TTL confirmation, that: (A) at least 70% of the EEPs for the 1st semester of 2016 (January-June), have been disbursed by the Borrower in said calendar semester, and (B) evidence, acceptable to the Bank, on the compliance with corresponding DLIs as per Schedule 5 of the Loan Agreement;

(l) a twelfth withdrawal on or around September 1, 2017, for Eligible Expenditures under the EEPs to be paid during the 1st semester of 2017 (January-June), in an amount not exceeding the equivalent to USD 1,000,000, if the Borrower has furnished to the Bank: (i) the pertinent IFR on EEPs Report prepared in accordance with the provisions of the Operational Manual, documenting the Eligible Expenditures under the EEPs for the period mentioned herein; and (ii) evidence satisfactory to the Bank, including TTL confirmation, that: (A) at least 70% of the EEPs for the 2nd semester of 2016 (July-December), have been disbursed by the Borrower in said calendar semester, and (B) evidence, acceptable to the Bank, on the compliance with corresponding DLIs as per Schedule 5 of the Loan Agreement;

(m) if, as a result of the timing of the Effective Date, Eligible Expenditures under the EEPs have already been incurred by the Borrower prior to any withdrawal of the Loan as projected in paragraph (a) through (l) above, withdrawals under said paragraphs will be deemed to constitute reimbursement of Eligible Expenditures under the EEPs already incurred to the extent such withdrawals in fact correspond to such incurred Eligible Expenditures;
(n) for purposes of paragraphs (c) to (l) above, amounts will be applied to Category 1 (indicated in Schedule 2, Section IV A 2, of the Loan Agreement) up to 100% of amounts spent and reported to the Bank, but without exceeding outstanding advances.

2. **Effect of Partial Compliance with Disbursement Linked Indicators** (as said term is defined in the Appendix to the Agreement) and the 70% Rule

(a) If the Bank does not receive evidence of fully compliance with the 50% or 70% rule that corresponds to the relevant withdrawal referred to in paragraphs 1 (a), and (c) to (l) above, and/or on the acceptability of the allocated budget indicated in the paragraphs 1 (b) (d) (f) (i) and (k) above, then that withdrawal amount will not be applied to Category 1 (indicated in Schedule 2, Section IV A 2, of the Loan Agreement);

(b) If the Bank has received evidence of fully compliance with the 50% or 70% rule indicated in paragraphs 1 (a) to (l) above, but partial compliance with DLIs, then paragraph 2 (c) below will be applied;

(c) If the Bank has received evidence of partial compliance with one or more DLIs that corresponds to the relevant withdrawal referred to in paragraphs 1 (a), and 1 (c) to (l) above, then: (i) the maximum amount of the corresponding withdrawal may be reduced in proportion to the percentage of non-compliance of the corresponding DLIs;

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\text{Formulae: } \% \text{ achievement of the relevant DLI} / \text{target } \% \text{ for the relevant DLI} = X\% \text{; } X\% - 100\% = \text{negative } Y\%; \text{ negative } Y\% \text{ multiplied by the maximum amount of the withdrawal corresponding to the relevant paragraph 1 (a) and 1 (c) to (l) above} = \text{reduction to be taken from the maximum amount of the withdrawal corresponding to the relevant paragraph 1 (a) and 1 (c) to (l) above}
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(d) **Note**: All above calculations will be made combining the three subcomponents: Tax Administrations Improvement Program, Strengthening and Improving Quality of Expenditure, and Improving Rural Water Management (Part 1 of the Project).

3. **Rollover of Amounts not Disbursed**

If the Bank has reduced the withdrawal provided for in paragraphs 2 (a) or (c) above due to non-compliance with the rule of the 50% or 70% as corresponds, or partial compliance with the relevant DLIs, then the Bank may authorize the corresponding portion of the Loan, resulting from this non-compliance with minimum percentages or partial compliance with DLIs, to be carried forward to the next semester.
4. **Submission of Loan Withdrawal Applications and Definition of Eligible Expenditures**

(a) Loan withdrawal applications under Disbursement Category 1 of the table in Section IV A 2 of Schedule 2 to the Loan Agreement shall be presented to the Bank by the Borrower in accordance with the disbursement schedule referred to in paragraph 1 above.

(b) Eligible Expenditures for purposes of financing with proceeds of the Loan, are those, under an “Eligible Expenditure Program (EEPs)” for reasonable costs of Goods, Works, Consultant Services, Non-consultant Services and Operating Costs (table in Schedule 4 to the Loan Agreement). IFRs will report on the overall payments made for each of the EEPs and, within each EEP, how much was paid, in the period under review, for Eligible Expenditures.

**IV. Other Important Information**


If you have not already done so, the Bank recommends that you register as a user of the Client Connection website ([http://clientconnection.worldbank.org](http://clientconnection.worldbank.org)). From this website you will be able to download Applications, monitor the near real-time status of the Loan, and retrieve related policy, financial, and procurement information. For more information about the website and registration arrangements, please contact the Bank by email at <clientconnection@worldbank.org>.

If you have any queries in relation to the above, please contact Victor Ordonez Conde, Finance Officer at vconde@worldbank.org using the above reference.

Yours sincerely,

[Signature]

By Jesko Hentschel, Country Director,
Argentina, Paraguay and Uruguay
Latin America and the Caribbean Region
Attachments:

1. *World Bank Disbursement Guidelines for Projects*, dated May 1, 2006 - Not included, as there is no change from the previous Disbursement Letter.
2. Form for Authorized Signatures - Not included, as there is no change from the previous Disbursement Letter.
3. Interim unaudited Financial Reports - Not included, as there is no change from the previous Disbursement Letter.
4. List of Contracts Subject to Bank’s Prior Review - Not included, as there is no change from the previous Disbursement Letter.
5. Terms and Conditions of Use of Secure Identification Credential in connection with Use of Electronic Means to Process Applications and Supporting Documentation, dated March 1, 2013- Not included, as there is no change from the previous Disbursement Letter.

Cc with copies: Diego Menendez, Director, National Director for International Programs and Credits, Ministry of Economy and Public Finance of the Argentine Republic

Gabriel Filc, Director, Director of Projects with the World Bank, Ministry of Economy and Finance of the Argentine Republic

Federico Bekerman, Sub-Secretary, Sub-Secretariat of Evaluation of Projects with External Financing, Chief of Cabinet’s Office

Daniel Enrique Kostzer, Alternate Executive Director, World Bank

Nora Serrani de Ferrario, Project Coordinator, UCP

Eugenia Benedetti, Office of the Cabinet of Ministers