Mr. José Luis Gioja  
Governor of the Province of San Juan  
Paula Albarracín de Sarmiento 134 Norte  
Ciudad de San Juan (5400)  
Provincia de San Juan  
República Argentina

Excellency:

Re: IBRD Loan 7853-AR (San Juan Social Inclusion and Development Project-SWAp) Additional Instructions: Disbursement

I refer to the Loan Agreement (the Agreement) between the International Bank for Reconstruction and Development (the “Bank”) and the Province of San Juan (the “Borrower) for the above-referenced Project, dated August 31, 2011: The Agreement provides that the Bank may issue additional instructions regarding the withdrawal of the proceeds of Loan 7853-AR (“Loan”). This letter (“Disbursement Letter”), as revised from time to time, constitutes the additional instructions, and replaces the original Disbursement Letter dated August 31, 2011.

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 or the Agreement.

I. Disbursement Arrangements

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

- Reimbursement
- Advance
- Direct Payment (for Part C of the Project only, if necessary)

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is four months after the Closing Date specified in the Agreement. 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 Agreement (see Section IV.B of Schedule 2 to the Agreement).

II. Withdrawal of Loan Proceeds

(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: Penelope J. Brook
Country Director
Latin America and the Caribbean Region

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

Banco Mundial
Setor 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 devices ("Tokens") 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 Tokens 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 Tokens to Process Applications.** By designating officials to accept Tokens 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 Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation ("Terms and Conditions of Use of Tokens") provided in Attachment 6; and (b) to deliver the Terms and Conditions of Use of Tokens to each such official and to cause such official to abide by those terms and conditions.

(v) **Minimum Value of Applications (subsection 3.5).** The Minimum Value of Applications for the Public Sector Management Technical Assistance component under Part C of the Project is Arg$300,000.

(vi) **Advances (sections 5 and 6) for the Public Sector Management Technical Assistance component under Part C of the Project.**

- **Type of Designated Accounts (subsection 5.3):** Segregated (Specifically for the Project, and exclusively to deposit Loan proceeds in respect of Part C of the Project)

- **Currency of Designated Accounts (subsection 5.4):** Arg$ - Argentine Pesos

- **Financial Institution at which the Designated Accounts Will Be Opened (subsection 5.5):** Banco de San Juan S.A.

- **Ceiling (subsection 6.1):** Arg$ 1,500,000.

(vi) **Advances (sections 5 and 6) for the Eligible Expenditures Program components under Parts A and B of the Project.**

- **Type of Designated Accounts (subsection 5.3):** Pooled (Borrower’s Single Treasury Account)

- **Currency of Designated Accounts (subsection 5.4):** Arg$ - Argentine Pesos

- **Financial Institution at which the Designated Accounts Will Be Opened (subsection 5.5):** Banco de San Juan S.A.

- **Ceiling (subsection 6.1):** Eligible Expenditures, which are a subset of the Eligible Expenditures Programs, incurred by the Borrower for the reasonable costs of Personnel Expenditures, as provided in the pertinent report referred to in Section II.B.2 of Schedule 2 to the Agreement (i.e. Interim Unaudited Financial Report), and subject to the amounts and conditions set forth in Section IV of this Disbursement Letter (Other Disbursement Instructions – Withdrawal Application Schedule).
III. Reporting on Use of Loan Proceeds

A - For the Public Sector Management Technical Assistance Component under Part C of the Project:

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

- For requests for Reimbursement, if applicable, and for reporting eligible expenditures paid from the Designated Account: records (Attachment 3A, "SOEs" with supporting documents, evidencing eligible expenditure, e.g., copies of receipts, supplier invoices) for payments made for: (i) Consulting Firms under contracts valued at USD 100,000 equivalent or more; (ii) Individual Consultants under contracts valued at USD 50,000 equivalent or more; and (iii) goods under contracts valued at USD 300,000 equivalent or more.

- Statement of Expenditures in the form attached (Attachment 3B, "SOEs" with no supporting documentation) for payments against all other contracts below SOE thresholds.

- List of Contracts Subject to Bank's Prior Review in the form attached (Attachment 5)

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


(iii) 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.

B - For the Eligible Expenditures Program components under Parts A and B of the Project:

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

For requests for Reimbursement, if applicable, and for reporting Eligible Expenditures paid from the Designated Account:
• Interim Unaudited Financial Report in the form attached (Attachment 4) detailing, inter alia, by sector – Education and Health –, and the amounts to be advanced and actual Eligible Expenditures

(ii) Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3): As described in Section IV of this Disbursement Letter (Other Disbursement Instructions – Withdrawal Application Schedule).

(iii) Other Supporting Documentation Instructions - A Designated Account activity reconciliation statement, comparing amounts advanced by sector with actual eligible expenditures by sector, should be submitted with each withdrawal application reporting on the use of Loan proceeds from the Designated Account. Any balances arising from such reconciliation will be deducted from subsequent advances to the pertinent sector.

IV. Other Disbursement Instructions

Withdrawal Application Schedule

1. Each withdrawal application for Category (1) shall be presented using the following schedule:

(a) a first withdrawal shall be made, on the Effective Date or promptly thereafter, as a reimbursement for payments made for Eligible Expenditures under EEPs during the twelve month period prior to the date of the (original) Disbursement Letter dated August 31, 2011 (which is consistent with the Loan Signing date), in an amount not exceeding $9,875,000 equivalent in Pesos, if the Agency has furnished to the Bank the pertinent interim unaudited financial report (referred to in Section II.B.2 of Schedule 2 to the Agreement), prepared in accordance with the provisions of the Operational Manual, documenting the Eligible Expenditures under the EEPs for the period mentioned herein;

(b) a second withdrawal as an advance (in or around September 1, 2011) for Eligible Expenditures under the EEPs to be paid for in the four calendar month period after the date of the (original) Disbursement Letter dated August 31, 2011 (which is consistent with the Loan Signing date), in an amount not exceeding $12,000,000 equivalent in Pesos, if the Agency has furnished to the Bank the pertinent interim unaudited financial report (referred to in Section II.B.2 of Schedule 2 to the Agreement), prepared in accordance with the provisions of the Operational Manual, forecasting the Eligible Expenditures (including an indication of the percentage of Eligible Expenditures to be financed under the Loan in respect of the EEPs) for the period mentioned herein;

(c) a third withdrawal as an advance (in or around March 1, 2012) for Eligible Expenditures under the EEPs to be paid for in the six calendar month period subsequent to January 1, 2012, in an amount not exceeding $12,000,000 equivalent in Pesos, if the Agency has furnished to the Bank: (i) evidence, acceptable to the Bank, that the Borrower's Legislature has approved an annual budget for the year 2012, acceptable to the Bank, for the EEPs; (ii) the pertinent interim unaudited financial report (referred to in Section...
II.B.2 of Schedule 2 to the Agreement), 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 under the EEPs (including an indication of the percentage of Eligible Expenditures to be financed under the Loan in respect of the EEPs) for the period mentioned herein; and (iii) evidence, satisfactory to the Bank (as reflected in the pertinent Project Report mentioned in Section II.A of Schedule 2 to the Agreement), that: (A) at least 70% of the EEP-HS and at least 70% of the EEP-ES, both for the calendar year 2010, have been disbursed by the Borrower in said calendar year; and (B) the Borrower has complied with the DLIs for the calendar year 2010;

(d) a fourth withdrawal as an advance (in or around September 1, 2012) for Eligible Expenditures under the EEPs to be paid for in the three month period subsequent to July 1, 2012, in an amount not exceeding $6,500,000 equivalent in Pesos, if the Agency has furnished to the Bank the pertinent interim unaudited financial report (referred to in Section II.B.2 of Schedule 2 to the Agreement), 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 under the EEPs (including an indication of the percentage of Eligible Expenditures to be financed under the Loan in respect of the EEPs) for the period mentioned herein;

(e) a fifth withdrawal which consists of a reimbursement (in or around March 1, 2013) for payments made for Eligible Expenditures under the EEPs during the three month period subsequent to October 1, 2012, in an amount not exceeding $6,500,000 equivalent in Pesos, and both inclusive, as well as, if applicable, a disbursement of all undisbursed Loan proceeds under Category (1), if the Agency has furnished to the Bank: (i) the pertinent interim unaudited financial report (referred to in Section II.B.2 of Schedule 2 to the Agreement), 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 any other applicable pending period, and (ii) evidence, satisfactory to the Bank (as reflected in the pertinent Project Report mentioned in Section II.A of Schedule 2 to the Agreement), that: (A) at least 70% of the approved annual budget mentioned in paragraph (c) (i) above for the EEP-HS and for the EEP-ES, both for the calendar year 2012, have been disbursed by the Borrower in said calendar year; and (B) the Borrower has complied with the DLIs corresponding to EEP-ES for the calendar year 2011, and with the DLIs corresponding to EEP-HS for the calendar year 2012; and

(f) 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 1 (a) through (e) 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.

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

2. If the Bank has:
(a) received evidence of partial compliance of the 70% rule and of the DLIs mentioned in paragraphs (b) and (c) below, then the maximum amount of the corresponding withdrawal shall be reduced by an amount equal to the highest reduction resulting from the application of paragraphs (b) or (c) below, and the amount to be advanced in respect of the EEP-HS and/or EEP-ES shall be reduced in the proportion to the percentage of non-compliance of the 70% rule or the DLI for the pertinent sector (as applicable);

(b) received evidence of partial compliance with the 70% rule that corresponds to the relevant withdrawal referred to in paragraph 1 (e) above, then the maximum amount of the corresponding withdrawal shall be reduced in proportion to the percentage of non-compliance of the 70% rule in respect of the EEP-HS and/or of the EEP-ES (see Formula below):

[Formula: \( \frac{\% \text{ of the projected EEPs disbursed}}{70\%} = X\% \); \( X\% - 100\% = \text{negative Y\%} \); negative Y\% multiplied by the maximum amount of the withdrawal corresponding to the relevant paragraph 1 (c) or (e) above = reduction to be taken from the maximum amount of the withdrawal corresponding to the relevant paragraph 1 (c) or (e) above]; and

(c) (i) received evidence of partial compliance with one or more DLIs that corresponds to the relevant withdrawal referred to in paragraphs 1 (c) and (e) above, then: (A) except as provided in (ii) below, the maximum amount of the corresponding withdrawal shall be reduced in proportion to the percentage of non-compliance of the corresponding DLIs (see Formula below); (B) in respect of the relevant withdrawal referred to in paragraph 1 (c) above, the Borrower shall submit to the Bank a time-bound action plan to achieve, in a manner satisfactory to the Bank, such target or targets set forth in the pertinent DLI for the calendar year 2010; and (C) as soon as the Bank is satisfied that such action plan has been implemented, the Bank shall authorize, at the time of the fifth withdrawal referred to in paragraph 1 (e) above, the withdrawal of the amount by which the corresponding withdrawal had been reduced under this paragraph 2 (c)(i):

[Formula: \( \% \text{ achievement of the relevant DLI / target \% for the relevant DLI} = X\% \); \( X\% - 100\% = \text{negative Y\%} \); negative Y\% multiplied by the maximum amount of the withdrawal corresponding to the relevant paragraph 1 (c) or (e) above = reduction to be taken from the maximum amount of the withdrawal corresponding to the relevant paragraph 1 (c) or (e) above]; and

(ii) received evidence of partial compliance with one or more DLIs that corresponds to the relevant withdrawal referred to in paragraphs 1 (c) and (e) above in which the actual progress of compliance (as “actual progress of compliance” is measured by the actual incremental increase at the end of the pertinent calendar year over the Baseline for the year 2008 for any given DLI) is below 50% of the expected progress of compliance (as “expected progress of compliance” is measured by the expected incremental increase at the end of the pertinent calendar year over the Baseline for the year 2008), then the maximum amount of the corresponding withdrawal shall be reduced in the proportion to the difference between the actual progress of compliance and the expected progress of compliance.
The Formulae mentioned in this paragraph 2 (c) (i) above shall not apply if: (i) the incremental increase over the Base Line for the year 2008 for any given DLI is below 50% in which case the provisions in (c)(ii) above shall apply; and (ii) the target achieved by the Borrower for any given DLI is equal or below the Base Line for the year 2008 for the pertinent DLI in which case no withdrawal shall be made in respect of the corresponding DLI.

For purposes of this paragraph 2 (c), each DLI will carry the same weight.

**Rollover of Amounts not Disbursed**

3. If the Bank has reduced the withdrawal provided for in paragraph 1(c) above due to partial compliance with the 70% rule and/or the relevant DLIs, then the Bank shall authorize the unwithdrawn portion of the Loan resulting from this partial compliance to be carried forward to the fifth withdrawal referred to in paragraph 1 (e) above.

**Submission of Loan Withdrawal Applications and Definition of Eligible Expenditures**

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

Eligible Expenditures under Part A of the Project are those set forth in Category (1) of the table in Section IV.A.2 of Schedule 2 to the Agreement (which consists of Personnel Expenditures). As mentioned in paragraph 1 of Section IV of this Disbursement Letter, the pertinent interim unaudited financial report shall document the Eligible Expenditures under the EEPs for the pertinent period, and include an indication of the percentage of Eligible Expenditures financed under the Loan in respect of the EEPs.

**V. Other Important Information**


From the Client Connection 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.

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>. 

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

Yours sincerely,

[Signature]
Penelope J. Brook
Director
Argentina, Paraguay and Uruguay
Latin America and the Caribbean Region

Attachments:

- Attachments number 1, 2, 3, 4, and 5 provided in the original Disbursement Letter, dated August 31, 2011, remain without any changes.
- Attachment number 6 - Terms and Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation, dated January 20, 2010

Prepared by Jose Janeiro, amended by Victor Ordonez Conde, CTRLN

Cleared with cc: Alejandro Alcala, LEGLA
                Norbert Fiess, LCSPE
                Daniel Chalupowicz, LCSFM

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[Signature]
Cc with copies: Mr. Hernán Gaspar Lorenzino
Minister of Economy and Public Finance
Agencia San Juan de Desarrollo de Inversiones

Mr. Félix Camarasa
Executive Director
The World Bank
Terms and Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation

January 20, 2010

The World Bank (Bank)\(^1\) will provide secure identification devices (Tokens) to permit the Borrower\(^2\) to deliver applications for withdrawal and applications for special commitments under the Agreement(s) and supporting documentation (such applications and supporting documentation together referred to in these Terms and Conditions of Use as Applications) to the Bank electronically, on the terms and conditions of use specified herein.

A. Identification of Users.

1. The Borrower will be required to identify in a completed Authorized Signatory Letter (ASL) duly delivered to and received by the Bank each person who will be authorized to deliver Applications. The Bank will provide Tokens to each person identified in the ASL (Signatory), as provided below. The Borrower shall also immediately notify the Bank if a Signatory is no longer authorized by the Borrower to act as a Signatory.

2. Each Signatory must register as a user on the Bank’s Client Connection (CC) website (https://clientconnection.worldbank.org) prior to delivery of Tokens. Registration on CC will require that the Signatory establish a CC password (CC Password). The Signatory shall not reveal his/her CC Password to anyone or store or record the CC Password in written or other form. Upon registration as a CC user, the Signatory will be assigned a unique identifying account name.

B. Distribution, Initialization and Return of Tokens.

1. The Bank will physically deliver a Token to each Signatory in a manner to be determined by and satisfactory to the Bank.

2. At the time of delivery of a Token to a Signatory, the Signatory will receive a copy of these Terms and Conditions of Use for purposes of initializing the Token.

\(^{1}\) "Bank" includes IBRD and IDA.

\(^{2}\) "Borrower" includes the borrower of an IBRD loan, IDA credit, or Project Preparation Facility advance and the recipient of a grant.
3. The Bank will verify that the Token, Temporary Password and Terms and Conditions of Use have been duly delivered to and received by the CC User.

4. Promptly upon receipt of the Token and Terms and Conditions of Use, the Signatory will access CC using his/her account name and CC Password and register his/her Token and set a personal identification number (PIN) to be used in connection with the use of his/her Token, after which the Token will be initialized for use by the Signatory exclusively for purposes of delivering Applications. Upon initialization of the Token, the Signatory will be a "Token User". The Bank will maintain in its database a user account (Account) for each Token User for purposes of managing the Token of the Token User. Neither the Borrower nor the Token User will have any access to the Account.

5. Prior to first use of the Token by the Token User for delivering Applications, the Borrower shall ensure that the Token User has received training materials provided by the Bank in use of the Token.

6. Tokens shall be promptly returned to the Bank upon request of the Bank.

C. Management of Tokens.

1. Tokens will remain the property of the Bank.

2. Use of the Token is strictly limited to use in the delivery of Applications by the Token User in the manner prescribed by the Bank in the Agreement(s) and these Terms and Conditions. Any other use of the Token is prohibited.

3. The Bank assumes no responsibility or liability whatsoever for any misuse of the Token by the Token User, other representatives of the Borrower, or third parties.

4. The Borrower undertakes to ensure, and represents and warrants to the Bank (such representation and warranty being expressly relied upon by the Bank in delivery of a Token to each Token User) that each Token User is provided, understands and will abide by, these Terms and Conditions of Use, including without limitation the following:

Security

4.1. The Token User shall not reveal his/her PIN to anyone or store or record the PIN in written or other form.

4.2. The Token User shall not allow anyone else to utilize a Token to deliver an Application to the Bank.
4.3. The Token User shall always logout from CC when not using the system. Failure to logout properly can create a route into the system that is unprotected.

4.4. If the Token User believes a third party has learned his/her PIN or has lost his/her Token he/she shall immediately notify clientconnection@worldbank.org.

4.5. The Borrower shall immediately notify the Bank at clientconnection@worldbank.org of any lost, stolen or compromised Tokens, and take other reasonable steps to ensure such Tokens are disabled immediately.

**Care of Tokens**

4.6. Tokens contain delicate and sophisticated instrumentation and therefore should be handled with due care, and should not be immersed in liquids, exposed to extreme temperatures, crushed or bent. Also, Tokens should be kept more than five (5) cm from devices that generate electromagnetic radiation (EMR), such as mobile phones, phone-enabled PDAs, smart phones and other similar devices. Tokens should be carried and stored separate from any EMR device. At close range (less than 5 cm), these devices can output high levels of EMR that can interfere with the proper operation of electronic equipment, including the Token.

4.7. Without derogating from these Terms and Conditions of Use, other technical instructions on the proper use and care Tokens are available at http://www.rsa.com.

**5. Replacement**

5.1. Lost, damaged, compromised (in terms of 4.5, above) or destroyed Tokens will be replaced at the expense of the Borrower.

5.2. The Bank reserves the right, in its sole discretion, not to replace any Token in the case of misuse, or not to reactivate a Token User’s Account.

**6. Reservation of Right to disable Token**

6.1. The Borrower shall reserve the right to revoke the authorization of a Token User to use a Token for any reason.

6.2. The Bank reserves the right, in its sole discretion, to temporarily or permanently disable a Token, de-activate a Token User’s Account or both.