Loan Agreement

(Heads of Household Transition Project)

between

ARGENTINE REPUBLIC

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated May 11, 2006
LOAN AGREEMENT

AGREEMENT, dated May 11, 2006, between ARGENTINE REPUBLIC (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans” of the Bank dated September 1, 1999 (as amended through May 1, 2004) with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) Section 5.08 of the General Conditions is amended to read as follows:

“Section 5.08. Treatment of Taxes

Except as otherwise provided in the Loan Agreement, the proceeds of the Loan may be withdrawn to pay for taxes (excluding the export tax and the financial transaction tax) levied by, or in the territory of, the Borrower on the goods or services to be financed under the Loan, or on their importation (with the exception of import tariffs above 28%), manufacture, procurement or supply. Financing of such taxes is subject to the Bank’s policy of requiring economy and efficiency in the use of the proceeds of its loans. To that end, if the Bank shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Loan is excessive or otherwise unreasonable, the Bank may, by notice to the Borrower, adjust the percentage
for withdrawal set forth or referred to in respect of such item in the Loan Agreement as required to be consistent with such policy of the Bank.

(b) Section 6.03 (c) of the General Conditions is amended by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

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

(a) “Administrative Arrangement” means the arrangement entered into between the Ministry of Labor and MSD (as defined below) of January 6, 2004, as said arrangement may be amended from time to time with the agreement of the Bank;

(b) “Arg$” means Argentine Peso, the lawful currency of the Borrower;

(c) “Beneficiary” means an individual who meets the criteria set forth in the Operational Manual I or Operational Manual II (each as defined below), as the case may be, to benefit from a Subproject (as defined below);

(d) “Employment Services” means: (i) job placement; (ii) assisted and/or supervised job search; (iii) workshops on job search or labor orientation; and (iv) referrals to support self-employment and social services;

(e) “EPH” means Encuesta Permanente de Hogares, a quarterly national household survey carried out by the Borrower;

(f) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(g) “Implementation Agreement” means any of the agreements referred to in Section 3.08 (a) (i) of this Agreement;

(h) “JEFES DE HOGAR Program” means the Borrower’s program established pursuant to Presidential Decree No. 565, dated April 3, 2002 (as amended by Decrees Nos. 39/2003, 1353/2003, 1506/2004 of January 7 and December 29, 2003, and October 28, 2004, respectively and extended in its application pursuant to the Borrower’s Law No. 26077 of December 22, 2005 until December 31, 2006);
(i) “Ministry of Labor” means the Borrower’s Ministerio de Trabajo, Empleo y Seguridad Social;

(j) “Ministry of Social Development” or “MSD” means the Borrower’s Ministerio de Desarrollo Social;

(k) “Monitoring Indicators” means the indicators set forth in the letter of even date herewith between the Borrower and the Bank;

(l) “Municipality” means a political sub-division within any of the Borrower’s provinces;

(m) “Municipality Agreement” means any of the agreements referred to in Section 3.08 (a) of this Agreement;

(n) “Operational Manual I” means the manual for Subprojects I referred to in Section 3.06 (a) (i) of this Agreement;

(o) “Operational Manual II” means the manual for Subprojects II referred to in Section 3.06 (a) (ii) of this Agreement;

(p) “Other Organization” means a non-profit organization selected in accordance with the criteria set forth in the Operational Manual I;

(q) “Per Diems for Temporary Workers” means payments (through bank debit cards) for Temporary Workers (as defined below) carrying out Subprojects I (as defined below), made in accordance with the provisions of the Operational Manual I provided in addition to the Remuneration for Temporary Workers and designed to cover expenses incurred to promote and/or improve their employability (such as transportation and child care services expenses);

(r) “PMU” means the unit referred to in Section 3.04 of this Agreement;

(s) “Procurement Plan” means the Borrower’s procurement plan, dated June 6, 2005 covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;
“Remuneration for Temporary Workers” means the remuneration for temporary employment (paid through bank debit cards) provided in accordance with the provisions of the Operational Manual I and/or Operational Manual II to Temporary Workers (as defined below) under the JEFES DE HOGAR Program, subject to the limitation set forth in Section 3.05 of this Agreement;

“SE” means Secretaría de Empleo, the Borrower’s Secretariat of Employment within the Ministry of Labor (as defined above);

“Special Account” means the account referred to in Section 2.02 (b) of this Agreement;

“Subproject” means a Subproject I, and/or a Subproject II, as the case may be;

“Subproject I” means a set of activities under the JEFES DE HOGAR Program aiming at improving employability of the Beneficiaries, consisting of, inter alia: (i) community services, including work in soup kitchens, of care-givers for the elderly, children, or disabled, as well as support to the provision of health and education services; (ii) municipal services, including maintenance of buildings and cleaning of public spaces; (iii) vocational training or completion of basic education; or (iv) small infrastructure projects, including rehabilitation, expansion and new construction of social infrastructure such as health centers, schools, and community centers, all such activities being eligible for financing under the JEFES DE HOGAR Program in accordance with the provisions of the Operational Manual I;

“Subproject II” means an investment under the JEFES DE HOGAR Program aiming at increasing Beneficiaries’ income, consisting of, inter alia, productive activities that support: (i) production or value-added agricultural, livestock or fishing initiatives; (ii) production of inputs and equipment for manufacturing and construction activities; (iii) manufacturing of products for final consumption (such as textiles, shoes and crafts); or (iv) commerce and/or services activities, including catering, childcare, care of the elderly, grooming and internet services, all such investments being eligible for financing under the JEFES DE HOGAR Program in accordance with the provisions of the Operational Manual II;

“Subproject Agreement” means any of the agreements referred to in Section 3.07 of this Agreement; and

“Temporary Workers” means any unemployed individuals who may be considered eligible to participate under the JEFES DE HOGAR Program.
ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to three hundred fifty million Dollars ($350,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the Remuneration for Temporary Workers, Per Diems for Temporary Workers and reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan and in respect of the front-end fee referred to in Section 2.04 of this Agreement and any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04 (c) of the General Conditions.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a special deposit account in Banco de la Nación Argentina on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2007 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the Loan, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one per cent (0.75%) per annum thereafter.
Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment charges shall be payable semiannually in arrears on March 15 and September 15 in each year.

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

Section 2.09. (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 said 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 Section 2.01 (7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar in respect of which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04 (c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in paragraph 1 of Schedule 1 to this Agreement.
ARTICLE III

Execution of the Project

Section 3.01. The Borrower declares its commitment to the objective of the Project and, to this end, shall:

(a) carry out: (i) Parts A, C, and D of the Project through the Ministry of Labor; and (ii) Part B of the Project through the Ministry of Labor and MSD, all with due diligence and efficiency and in conformity with appropriate administrative, financial, labor and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project; and

(b) ensure that the Ministry of Labor and MSD maintain the Administrative Arrangement for purposes of governing the role of said ministries in connection with the carrying out of Subprojects II.

Section 3.02. (a) Except as the Bank shall otherwise agree:

(i) procurement of the goods and consultants’ services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement, as said provisions may be further elaborated in the Procurement Plan;

(ii) procurement of goods in respect of Subprojects I shall be limited to said type of subprojects that meet the following criteria: (i) they cost no more than $135,000 equivalent; and (ii) they require the procurement of goods in an aggregate amount of less than $75,000 equivalent; and

(iii) procurement of goods in respect of Subprojects II shall be limited to said type of subprojects that require the procurement of goods in an aggregate amount of less than Arg$15,000.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than twelve (12) months after the date of the preceding Procurement Plan, for the Bank’s approval.
Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future operation of the Project; and

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

Section 3.04. For the purposes of assisting the Ministry of Labor in the overall management of the Project, the Borrower shall operate and maintain throughout the execution of the Project, within the Ministry of Labor, a project management unit (the PMU) with functions and responsibilities acceptable to the Bank and staffed with managers and other personnel in adequate number and with qualifications and experience acceptable to the Bank.

Section 3.05. In respect of the activities under Parts A and B of the Project, the Borrower: (a) agrees to maintain Remuneration for Temporary Workers at a rate of Arg$150 per month (or another rate pursuant to the review referred to in (c) herein if acceptable to the Bank); (b) agrees to pay Per Diems for Temporary Workers at a rate of up to Arg$50 per month; and (c) may review the rate referred to in (a) herein taking into consideration data provided by the EPH.

Section 3.06. (a) Without limitation to the provisions of Section 3.01 of this Agreement, the Borrower shall carry out the Project in accordance with: (i) an operational manual (the Operational Manual I), satisfactory to the Bank, which shall contain, inter alia: (A) the eligibility criteria, detailed rules, and procedures for the selection of Subprojects I; (B) the methodology to be used in the evaluation of Subprojects I; (C) the cut-off date for approving a Subproject I; (D) the actions to be adopted by the Borrower in case a Beneficiary or Municipality fails to comply with any of its obligations under the corresponding Implementation Agreement; (E) the criteria for the selection of Other Organizations; (F) the methodology to be used for determining and paying the Per Diems for Temporary Workers of Subprojects I; (G) a model Subproject Agreement; (H) a model Implementation Agreement; (I) a model Municipality Agreement; and (J) mandatory safeguard policies applying to Subprojects I, particularly regarding the environmental assessment that each Subproject I must undergo and the safeguard and mitigation actions that shall be carried out for any such Subprojects I which could have a possible negative environmental impact such as, in particular, through the use of any pesticide, increased deforestation, pollution of groundwater, impacts on endangered species, increased pesticide level in food, increased soil erosion, impact on parks and protected areas, or encroachment on natural habitats; and (ii) an operational manual (the
Operational Manual II), satisfactory to the Bank, which shall contain, *inter alia*: (A) the eligibility criteria, detailed rules, and procedures for the selection of Subprojects II; (B) the eligibility criteria for selecting Temporary Workers; (C) the methodology to be used in the evaluation of Subprojects II; (D) the cut-off date for approving a Subproject II; (E) the actions to be adopted by the Borrower in case a Beneficiary or Municipality fails to comply with any of its obligations under the corresponding Implementation Agreement; (F) the criteria for the selection of Other Organizations; (G) a model Subproject Agreement; (H) a model Implementation Agreement; (I) a model Municipality Agreement; and (J) mandatory safeguard policies applying to Subprojects II, particularly regarding the environmental assessment that each Subproject II must undergo and the safeguard and mitigation actions that shall be carried out for any such Subprojects II which could have a possible negative environmental impact such as, in particular, through the use of any pesticide, increased deforestation, pollution of groundwater, impacts on endangered species, increased pesticide level in food, increased soil erosion, impact on parks and protected areas, or encroachment on natural habitats.

(b) Except as the Bank shall otherwise agree, the Borrower shall not amend, waive or fail to enforce the Operational Manual I or Operational Manual II, or any provision thereof. In case of any conflict between the provisions of this Agreement and those of the Operational Manual I or Operational Manual II, the provisions of this Agreement shall prevail.

Section 3.07. For the purposes of carrying out activities requiring the financing of materials under Subprojects I, the Borrower, through the Ministry of Labor, shall:

(a) after having selected a Subproject I, following the procedures established in the Operational Manual, enter into an agreement (the Subproject Agreement) with a Municipality or Other Eligible Organization for the financing of materials required under the pertinent subproject, in accordance with the terms and conditions set forth in the Operational Manual; and

(b) exercise its rights and carry out its obligations under any Subproject Agreement, in such a manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, shall not assign, amend, abrogate, waive or fail to enforce any Subproject Agreement, or any provision thereof.

Section 3.08. (a) Upon approval of a Subproject II requiring the financing of goods, the Borrower, through Ministry of Labor, shall transfer, on a grant basis, a portion of the Loan proceeds allocated to Category (3) (c) (ii) (set forth in the table in paragraph 1 of Schedule 1 to this Agreement) to the pertinent Municipality pursuant to an agreement (the Municipality Agreement) to be entered into between the Borrower and said Municipality on terms and conditions acceptable to the Bank, including, *inter alia,*
the obligation of the Municipality to: (i) enter into an agreement (the Implementation Agreement) with the corresponding Beneficiary on terms and conditions acceptable to the Bank; and (ii) procure the goods on behalf of the corresponding Beneficiary in accordance with the provisions set forth in Schedule 4 to this Agreement; and

(b) (i) The Borrower shall exercise its rights and carry out its obligations under each Municipality Agreement in such a 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, repeal, terminate, waive or fail to enforce any Municipality Agreement or any provision thereof.

Section 3.09. For the purposes of carrying our Part C of the Project, the Borrower, through the Ministry of Labor, shall enter into a project agreement with each municipality in which an employment office shall be established under said Part C. Said agreement shall establish, inter alia, the standards of service to be provided by, and expected results from the operation of, such office.

Section 3.10. Without limitation to the provisions of Section 3.08 (a) of this Agreement and prior to the disbursement of Loan proceeds (allocated to the disbursement category referred to in said section) in respect of a particular Subproject II, the Borrower shall: (a) enter into the pertinent Municipality Agreement; and (b) cause the pertinent Municipality to enter into the respective Implementation Agreement.

Section 3.11. The Borrower, through the PMU, shall:

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

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about March 15, 2007, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by October 31, 2007, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the
achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank’s views on the matter.

Section 3.12. The Borrower shall ensure that all payments of Remuneration for Temporary Workers and Per Diems for Temporary Workers be done through bank debit cards.

Section 3.13. The Borrower, through the Ministry of Labor, shall ensure that concurrent audits of the Project are carried out monthly, in accordance with terms of reference satisfactory to the Bank.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower, through the Ministry of Labor, shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank) audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Bank): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and

(iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.
(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

(i) retain, until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(ii) enable the Bank’s representatives to examine such records; and

(iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower’s progress reporting obligations set out in Section 3.11 of this Agreement, the Borrower shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:

(i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and

(iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.
ARTICLE V

Effective Date; Termination

Section 5.01. The date August 9, 2006 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

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

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

For the Borrower:

Ministerio de Economía y Producción
Hipólito Yrigoyen 250
C1109ADA, Buenos Aires
Argentina

Cable address:              Telex:
MINISTERIO DE ECONOMIA      121942-AR
Y PRODUCCION

Facsimile: (54)(11)4349-8815
For the Bank:

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

Cable address: INTBAFRAD
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: (202) 477-6391
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Buenos Aires, Argentina, as of the day and year first above written.

ARGENTINE REPUBLIC

By /s/ Felisa Miceli
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Axel van Trotsenburg
Authorized Representative
SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (Expressed in Dollars)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants’ services</td>
<td>8,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods under Parts C and D of the Project</td>
<td>1,500,000</td>
<td>100% (except as provided in Section 5.08 of the General Conditions)</td>
</tr>
<tr>
<td>(3) Subprojects:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Remuneration for Temporary Workers</td>
<td>279,000,000</td>
<td>40% while neither the First Condition or the Second Condition are being met; 60% while the First Condition is being met; and 55% while the Second Condition is being met</td>
</tr>
<tr>
<td>(b) Per Diems for Temporary Workers</td>
<td>20,000,000</td>
<td>60%</td>
</tr>
<tr>
<td>(c) Goods:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) for Subprojects I</td>
<td>18,000,000</td>
<td>70% of local expenditures</td>
</tr>
<tr>
<td>(ii) for Subprojects II</td>
<td>20,000,000</td>
<td>100% (except as provided in Section 5.08 of the General Conditions)</td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Loan Allocated (Expressed in Dollars)</td>
<td>% of Expenditures to be Financed</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>----------------------------------------------------</td>
<td>----------------------------------------------------------</td>
</tr>
<tr>
<td>(4) Premia for Interest Rate Caps and Interest Rate Collars</td>
<td>-0-</td>
<td>Amount due under Section 2.09 (c) of this Agreement</td>
</tr>
<tr>
<td>(5) Front-end fee</td>
<td>3,500,000</td>
<td>Amount due under Section 2.04 of the Loan Agreement</td>
</tr>
<tr>
<td>TOTAL</td>
<td>350,000,000</td>
<td></td>
</tr>
</tbody>
</table>

2. For the purposes of this Schedule:

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

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

(c) (i) the term “First Condition” means condition set forth in paragraph 3 (a) of this Schedule;

(ii) the term “Second Condition” means the condition set forth in paragraph 3 (b) of this Schedule; and

(iii) promptly upon issuance of the results of each quarterly EPH, starting with the results of the third quarter 2005 EPH, the Bank shall notify the Borrower of the relevant disbursement percentage for Category (3) (a) in the table in paragraph 1 immediately above, as determined by whether the First Condition or the Second Condition is met according to the results of said EPH. Such percentage shall apply to all Loan proceeds withdrawal applications received by the Bank after the date of such notification and until the date of the next such notification.
3. (a) Withdrawals, for payments under Category 3 (a) set forth in the table in paragraph 1 of this Schedule, shall be made at the rate of 60% as of the date the Bank notifies the Borrower that the following condition has been met as evidenced by the relevant EPH results: the level of compliance with the JEFES DE HOGAR Program’s work requirement (including eligible training and education activities) has exceeded 65%; and

(b) Withdrawals for payments under Category 3 (a) set forth in the table in paragraph 1 of this Schedule, shall be made at the rate of 55% as of the date the Bank notifies the Borrower that the following condition has been met as evidenced by the relevant EPH results: the level of compliance with the JEFES DE HOGAR Program’s work requirement (including eligible training and education activities) has reached 60%.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding $70,000,000 may be made on account of payments made for expenditures before that date but after April 1, 2005; (b) Category 3 (c) (i) of the table in paragraph 1 of this Schedule, until the Borrower, through the Ministry of Labor, shall have approved the Operational Manual I; and (c) Category 3 (c) (ii) of the table in paragraph 1 of this Schedule, until the Borrower, through the Ministry of Labor, shall have approved the Operational Manual II.

5. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) Remuneration for Temporary Workers and Per Diem for Temporary Workers under Parts A and B of the Project; and (b) items subject to Post Review pursuant to Section IV of Schedule 4 to this Agreement, all under such terms and conditions as the Bank shall specify by notice to the Borrower.
SCHEDULE 2

Description of the Project

The objective of the Project is to reduce poverty through support to the JEFES DE HOGAR Program, a social safety net benefiting mostly the poor; and improving its participants’ employability.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objective:

Part A: JEFES DE HOGAR Program

Execution of Subprojects I.

Part B: JEFES DE HOGAR Program

Execution of Subprojects II.

Part C: Employment Services

Establishment and strengthening of Ministry of Labor offices in municipalities throughout the Borrower’s territory, through the provision of specialized technical assistance, training, equipment and software, such offices to provide Employment Services especially, but not exclusively, to beneficiaries of the JEFES DE HOGAR Program.

Part D: JEFES DE HOGAR Program Governance, Monitoring and Evaluation and Project Management

Provision of support to the Ministry of Labor, through the provision of technical assistance, necessary goods and equipment, to enable it to improve governance arrangements, and to manage, coordinate, monitor and evaluate the JEFES DE HOGAR Program.

* * *

The Project is expected to be completed by June 30, 2007.
SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Payment Date</th>
<th>Installment Share (Expressed as a %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 15, 2010</td>
<td>4.00%</td>
</tr>
<tr>
<td>March 15, 2011</td>
<td>4.00%</td>
</tr>
<tr>
<td>September 15, 2011</td>
<td>4.00%</td>
</tr>
<tr>
<td>March 15, 2012</td>
<td>4.00%</td>
</tr>
<tr>
<td>September 15, 2012</td>
<td>5.50%</td>
</tr>
<tr>
<td>March 15, 2013</td>
<td>5.50%</td>
</tr>
<tr>
<td>September 15, 2013</td>
<td>5.50%</td>
</tr>
<tr>
<td>March 15, 2014</td>
<td>5.50%</td>
</tr>
<tr>
<td>September 15, 2014</td>
<td>5.50%</td>
</tr>
<tr>
<td>March 15, 2015</td>
<td>5.50%</td>
</tr>
<tr>
<td>September 15, 2015</td>
<td>5.50%</td>
</tr>
<tr>
<td>March 15, 2016</td>
<td>5.50%</td>
</tr>
<tr>
<td>September 15, 2016</td>
<td>6.50%</td>
</tr>
<tr>
<td>March 15, 2017</td>
<td>6.50%</td>
</tr>
<tr>
<td>September 15, 2017</td>
<td>6.50%</td>
</tr>
<tr>
<td>March 15, 2018</td>
<td>6.50%</td>
</tr>
<tr>
<td>September 15, 2018</td>
<td>7.00%</td>
</tr>
<tr>
<td>March 15, 2019</td>
<td>7.00%</td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be 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 said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
SCHEDULE 4

Procurement

Section I. General

A. All goods and services (other than consultants’ services) shall be procured in accordance with the provisions of Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants’ services shall be procured in accordance with Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods and Services (other than Consultants’ Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than $500,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding.

2. Shopping. Goods estimated to cost less than $50,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.
A. **Quality- and Cost-based Selection.** Except as otherwise provided in Part B of this Section, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

B. **Other Procedures**

1. **Least-cost Selection.** Services for assignments which the Bank agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. **Selection Based on Consultants’ Qualifications.** Services estimated to cost less than $200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

3. **Single Source Selection.** Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Bank’s prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

4. **Individual Consultants.** (a) Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis, subject to prior review by the Bank.

   (b) The following provisions shall apply to consultants’ services to be procured under contracts awarded in accordance with the provisions of the preceding subparagraph (a):

   (i) contracts with a total duration of six months or more shall be advertised in accordance with the provisions of paragraph 2.5 of the Consultant Guidelines; and
(ii) except as the Bank shall otherwise agree, the Borrower shall not cancel, waive or fail to enforce any contract procured under said sub-paragraph (a).

Section IV. 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 and services (other than consultants’ services) estimated to cost the equivalent of $500,000 or more; (b) each contract for consultants’ services provided by a firm estimated to cost the equivalent of $100,000 or more; (c) the first two contracts to be procured under National Competitive Bidding; (d) the first two contracts to be procured under Shopping; (e) each contract for individual consultants estimated to cost the equivalent of $50,000 or more; and (f) each contract awarded through single source selection. All other contracts shall be subject to Post Review by the Bank.
SCHEDULE 5

Special Account

1. For the purposes of this Schedule:
   
   (a) the term “eligible Categories” means Categories (1), (2) and (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
   
   (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
   
   (c) the term “Authorized Allocation” means the amount of $35,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
   
   (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.
   
   (b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

   (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the
Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

   (a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

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

   (c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

   (d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.
6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

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

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.