

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

ARGENTINA

**CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP)
PROGRAM TO CONTRIBUTE TO IMPROVED WATER SECURITY IN ARGENTINE
PROVINCES
(AR-O0034)**

**PROGRAM TO IMPROVE WATER SECURITY IN THE PROVINCE OF MENDOZA
(AR-L1422)**

LOAN PROPOSAL

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2.	Monitoring, evaluation, and learning plan
3.	Multiyear execution plan, annual work plan, and procurement plan
4.	Environmental and social review summary

OPTIONAL LINKS	
1.	Water security report
2.	Strategic approach of the CCLIP
3.	Technical analysis
4.	Gender and diversity annex
5.	Financial and institutional analysis
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ABBREVIATIONS	
ACRE	Área de Cultivos Restringidos Especiales (special restricted crop area)
AySAM	Agua y Saneamiento Mendoza S.A.P.E.
CCLIP	Conditional credit line for investment projects
DGI	Departamento General de Irrigación (General Irrigation Department)
ESPF	Environmental and Social Policy Framework
ESPS	Environmental and Social Performance Standards
FONPLATA	FONPLATA Development Bank
IANIGLA	Instituto Argentino de Nivología, Glaciología y Ciencias Ambientales (Argentine Institute of Nivology, Glaciology, and Environmental Sciences)
ICAP	Institutional Capacity Assessment Platform
MHyF	Ministerio de Hacienda y Finanzas (Ministry of Finance)
m ³ /s	Cubic meters per second
Mm ³	Million cubic meters
SDG	Sustainable Development Goal
UFI	Unidad de Financiamiento Internacional (International Financing Unit)

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Financial Terms and Conditions						
Borrower:			Flexible Financing Facility^(a)			
Province of Mendoza			Amortization period:	25 years		
Executing agency:			Disbursement period:	5 years		
Agua y Saneamiento Mendoza (AySAM)			Grace period:	5.5 years ^(b)		
Guarantor:			Interest rate:	SOFR + funding margin + OC variable lending spread ^(c)		
Argentine Republic			Credit fee:	(d)		
CCLIP beneficiary:						
Argentine Republic			Inspection and supervision fee:	(d)		
Financing instrument or modality:			Weighted average life:	15.25 years		
CCLIP INV-ESP			Currency of approval:	U.S. dollar		
Source	CCLIP		First operation		Sector:	Socioenvironmental classification:
	Amount (US\$)	%	Amount (US\$)	%		
IDB (Ordinary Capital):	1,000,000,000	100	150,000,000	100	Water and sanitation	B
Total:	1,000,000,000	100	150,000,000	100		
Project at a Glance						
General and specific objectives: The objective of the CCLIP is to help improve water security in Argentina's subnational jurisdictions. The general objective of the first individual operation is to contribute to water security in the province of Mendoza. The specific objectives of the first operation are to: (i) improve the management of water and sanitation services; and (ii) increase the availability and enhance the quality of water resources by expanding and optimizing wastewater treatment services.						
Special conditions precedent to the first disbursement: The borrower, acting through the executing agency, will provide evidence that: (i) an execution agreement has been signed by the borrower and the executing agency specifying the duties and responsibilities of both parties in implementing the program, including the role of the International Financing Unit (UFI) at the Ministry of Finance, and describing the resource management arrangements; (ii) the project execution unit has been created and its coordinator, procurement specialist, monitoring and evaluation specialist, and environmental and/or social specialist have been hired, assigned, and/or appointed, as applicable, along with the UFI's financial management team, in accordance with the profiles and terms of reference agreed upon with the Bank; and (iii) the Program Operating Regulations have been approved and have entered into force on the terms previously agreed upon with the Bank (paragraph 4.7). See additional contractual conditions included in Annex B to the environmental and social review summary (required link 4).						
Exceptions to Bank policy: N/A						

^(a) Under the Flexible Financing Facility (FN-655-7), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

^(b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

^(c) Daily compounded SOFR in arrears. The IDB funding margin is determined on a quarterly basis. The IDB Ordinary Capital variable lending spread is determined by the Board of Executive Directors on an annual basis.

^(d) The credit fee and the inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with applicable policies.

PROJECT STRATEGIC ALIGNMENT AND CONTRIBUTIONS STRATEGY

Alignment justification and links					
Sustainable economic growth:	The program drives sustainable economic growth by strengthening essential water infrastructure for provincial development. Specifically, enhancing the availability and quality of treated wastewater for agricultural reuse bolsters water security for farming and productive activities, which are the region's main economic drivers [Annex II: I.1, I.2, R2.3]. The program will finance various interventions designed to promote resilient and sustainable medium- and long-term growth.				
Institutional capacity and rule of law:	The program directly strengthens management and governance at Agua y Saneamiento Mendoza (AySAM), the province of Mendoza's main water and sanitation operator. It finances improvements in AySAM's planning systems, technological modernization, and loss reduction, thereby enhancing the operator's transparency, efficiency, and sustainability [Annex II: R1.3]. In addition, the program supports studies and plans to strengthen small local operators, promoting more robust and equitable management in the sector [Annex II: T3]. These activities reinforce the institutions responsible for water security, ensuring more technically oriented and better regulated management, aligned with regulatory frameworks, and thereby consolidating the rule of law in the provision of essential services.				
Digital transformation:	The program finances technological modernization at AySAM, including updating its obsolete technology platform and implementing micrometering systems and well optimization to reduce water losses [Annex II: R1.2, R1.4, P1.1, P1.2, P1.5]. These investments improve metering accuracy, billing, and commercial management, strengthening operational efficiency and transparency [Annex II: R1.1, R1.2, R1.3]. Together, they digitalize critical processes for a more responsive, sustainable, and data-based management of water resources.				
Gender equality:	Women account for 17% of AySAM's staff and tend to be employed in administrative and commercial roles, with limited representation at management and operational levels. However, progress has recently been made in the form of greater inclusion of women in roles such as those of inspector, site supervisor, and project designer. In terms of seniority, half of women employees (51%) have been with the company for less than 10 years, evidencing recent strides in women's representation. AySAM implemented changes at the infrastructure level (such as expanding changing rooms in water treatment plants) but needs to continue to remove cultural and institutional barriers associated with gender bias and stereotypes, as well as provide assistance and support for women at the company. To this end, the program envisages creating a women's network, led by the human resources department, as a forum for exchange, mentorship, and institutional advocacy to strengthen their professional development in the sector (optional link 4) [Annex II: T1, T2].				
Diversity:	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Indigenous peoples <input type="checkbox"/></td> <td style="width: 50%;">Persons with disabilities <input checked="" type="checkbox"/></td> </tr> <tr> <td>Afro-descendants <input type="checkbox"/></td> <td>LGBTQ+ <input type="checkbox"/></td> </tr> </table> <p>At present, AySAM lacks accurate information on its employees with disabilities or on dependents of employees with disabilities. In addition, it lacks a comprehensive diagnostic assessment or an institutional inclusion policy incorporating the principles of universal accessibility and reasonable accommodation. Furthermore, there is a need to reinforce staff awareness and training in this regard, especially in customer service. There is also an absence of an accessible communications strategy for staff and the general public. In view of this, the program envisages designing and implementing an inclusive institutional policy that specifically focuses on persons with disabilities and provides for: a diagnostic assessment and action plan using existing communication channels and upgrading them; an internal mapping of disabilities with a focus on staff and their direct sphere of influence; and the design and implementation of specific training in disability, accessibility, and rights, so as to improve the operator's customer service standards from a universal accessibility perspective (optional link 4).</p>	Indigenous peoples <input type="checkbox"/>	Persons with disabilities <input checked="" type="checkbox"/>	Afro-descendants <input type="checkbox"/>	LGBTQ+ <input type="checkbox"/>
Indigenous peoples <input type="checkbox"/>	Persons with disabilities <input checked="" type="checkbox"/>				
Afro-descendants <input type="checkbox"/>	LGBTQ+ <input type="checkbox"/>				
Climate change:	Paris Agreement				
	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;">Aligned with climate resilience objective: Specific analysis required (high physical climate change risk/significant adaptation priority)</td> <td style="width: 50%; vertical-align: top;">Aligned with decarbonization objective: Universally aligned/Simplified analysis FIs</td> </tr> </table>	Aligned with climate resilience objective: Specific analysis required (high physical climate change risk/significant adaptation priority)	Aligned with decarbonization objective: Universally aligned/Simplified analysis FIs		
Aligned with climate resilience objective: Specific analysis required (high physical climate change risk/significant adaptation priority)	Aligned with decarbonization objective: Universally aligned/Simplified analysis FIs				

Alignment justification and links				
	Climate and green finance		Climate Finance	
	Climate and green finance of total project budget: 96.42%	Mitigation		0.27%
		Adaptation		47.39%
		Dual		0.07%
		Total climate finance		47.73%
Adaptation indicator: <input type="checkbox"/>		Mitigation indicator: <input type="checkbox"/>		
<p>The program is aligned with the Paris Agreement, mainly with its goal of climate resilience, by rehabilitating water treatment plants and promoting investments that increase water availability in a scenario of structural water scarcity. The investments in institutional strengthening, modernization of water and sanitation service management, rehabilitation and expansion of water treatment plants, and improvement of conveyance systems help reduce climate vulnerability in the provincial water system, ensuring service continuity, quality, and sustainability. In addition, improved operational efficiency, reduced water losses, and increased water reuse for agriculture strengthen the adaptive capacity of the region and of water-dependent productive systems. From a decarbonization standpoint, while the operation does not include an explicit mitigation objective, it will develop a mitigation strategy especially focused on sludge management and an inventory of greenhouse gas emissions (optional link 8).</p>				
Sustainable Development Goals (SDGs): SDG 6, SDG 9, SDG 11, and SDG 13				
Country strategy				
Country strategy:	<p>The program is aligned with the IDB Group Country Strategy with Argentina for the period 2025-2028 (GN-3288), pillar 3, contributing to the expected outcome of “increased access to water and sanitation and to adequate urban conditions” and to the strategic objective of supporting vulnerable population to reduce poverty by upgrading sanitation and urban conditions. Improving water security through investments in resilient infrastructure and efficient management not only improves sanitation and urban conditions in the immediate term but lays the groundwork for more inclusive and sustainable human development in the province of Mendoza. In line with the crosscutting pillar of institutional strengthening under the country strategy, the program helps the government to be more efficient in managing its resources and providing services to the public, with particular emphasis on public investment execution and water infrastructure management.</p>			
Contribution to regional thematic initiatives and programs				
Initiatives and programs	None.			

I. PROJECT RATIONALE AND DESCRIPTION

A. Project description

Project highlights. To address water security structurally, the program is implemented through a CCLIP, coordinating investments in the provinces and the Autonomous City of Buenos Aires (subnational jurisdictions) under common criteria and standards, thus ensuring sector consistency as well as continuity in sector support. It combines investments in water and sanitation infrastructure with nonstructural measures aimed at strengthening planning, operational management, and institutional capacity in the institutions associated with water resource management. The first individual operation focuses on the province of Mendoza, which has significant gaps in its water infrastructure. The interventions target AySAM, the province's main provider, addressing its large physical losses and obsolete wastewater treatment systems, which limit agricultural reuse. The program prioritizes institutional strengthening and sanitation expansion and rehabilitation, helping to reduce losses, optimize reuse, boost climate resilience, and sustainably improve water security in Mendoza.

- 1.1 **Objectives.** The objective of the CCLIP is to help improve water security ([optional link 1](#)) in Argentina's subnational jurisdictions. The general objective of the first individual operation is to contribute to water security in the province of Mendoza. The specific objectives of the first operation are to: (i) improve the management of water and sanitation services; and (ii) increase the availability and enhance the quality of water resources by expanding and optimizing wastewater treatment services.
- 1.2 **Context of water resource management in Argentina.** Argentina is a federal country. Its current legal framework for water resources is based on provincial jurisdiction over those resources (National Constitution, Article 124) and on a national system of minimum environmental standards [\[1\]](#) that promotes a rational use of water and integrated basin management (Law 25,688 and its implementing regulations). Under this framework, subnational jurisdictions have broad regulatory and management authority over water resources. This institutional fragmentation, while consistent with the country's constitutional framework, constrains the ability to implement integrated and sustained water security strategies on a national scale.
- 1.3 **The CCLIP aims to help solve the structural problem of improving water security in Argentina in this context.** The CCLIP serves as a strategic instrument for the sector, offering a long-term common operational framework that allows investments to be coordinated across subnational jurisdictions under shared criteria, priorities, and standards. In line with the national government's strategy of decentralizing investments in infrastructure toward subnational jurisdictions, the CCLIP provides a platform that facilitates adapting the interventions to the specific circumstances and capacity of each jurisdiction, while promoting sector consistency and continuity in Bank support to effectively help reduce water insecurity. At the national level, the determinants of low water security can be grouped into four types: (i) water availability, climate variability, and hydrological extremes; (ii) water quality and health risks; (iii) access to water and sanitation services; and (iv) governance, financing, competing uses, and

sustainability. Taken together, these determinants account for the water security gaps in the country and justify the need for comprehensive interventions combining investment in infrastructure, institutional strengthening, operating efficiency, and sustainable and resilient management of the water resource ([optional link 2](#)).

- 1.4 **Water availability, climate variability, and hydrological extremes.** There are sharp regional disparities in water availability in Argentina. The provinces in the north and in the arid and semiarid west face structural water stress, with per-capita availability close to or below international scarcity thresholds. At the same time, regions such as Patagonia have higher availability but also high delivery costs [\[2\]](#) [\[3\]](#). The rise in climate variability and extreme events deepens water insecurity: between 2020 and 2023, more than half of the country's territory was affected by severe droughts, while recurrent flooding in the Litoral and Pampean regions result in economic losses, affect critical infrastructure, and degrade water and sanitation systems [\[4\]](#) [\[5\]](#).
- 1.5 **Water quality and health risks.** The decline in water quality in Argentina is a core determinant of water insecurity and stems from both natural and anthropogenic factors. The former include geomorphological and hydrogeological processes that have resulted in the natural presence of pollutants such as arsenic, boron, fluoride, and dissolved salts in aquifers, particularly in the Chaco-Pampean plain and in arid and semiarid regions such as Cuyo [\[6\]](#). These conditions, intensified by the arid climate and climate change, create health risks and limit the uses of water resources [\[7\]](#). At the same time, human-induced pollution is increasingly affecting surface bodies of water and groundwater bodies, primarily due to the discharge of inadequately treated wastewater, diffuse agricultural pollution (especially nitrates from fertilizers), irrigation return flows, and improper disposal of solid waste [\[8\]](#). At the national level, only about 27% of household wastewater is adequately treated [\[9\]](#), leading to an increase in contaminant loads in strategic basins and productive oasis areas. The coexistence of natural and anthropogenic pollutants, exacerbated by climate change and structural weaknesses in sanitation, reduces the effective availability of water suitable for consumption, irrigation, and reuse, and heightens health risks, deepening water insecurity [\[10\]](#).
- 1.6 **Access to water and sanitation services and operating efficiency.** In 2022, national drinking water and sanitation coverage totaled 83.9% and 57.4%, respectively, and only 27% of collected wastewater was properly treated [\[11\]](#). Significant regional disparities persist, particularly in sanitation, along with low levels of operating efficiency, characterized by micrometering of close to 27% and non-revenue water levels on the order of 39% [\[12\]](#). Rate structures mostly decoupled from consumption and high average consumption (paragraph 1.16) constrain the financial sustainability of providers and discourage efficient use of the resource.
- 1.7 **Governance, financing, competing uses, and sustainability.** Fragmented governance of water resources, stemming from provincial control and non-uniform regulatory frameworks, limits integrated watershed planning and interjurisdictional coordination [\[13\]](#). Competition between uses, with agriculture accounting for close to 70% of all withdrawals, intensifies conflicts in a scenario marked by scarcity and high climate variability [\[14\]](#) [\[15\]](#). According to a 2021 estimate [\[16\]](#), Argentina would have to invest close to US\$12.3 billion in water and US\$17.4 billion in

sanitation by 2030 to meet SDG 6. This projection reinforces the need for long-term financing instruments such as the CCLIP to support integrated, resilient, and sustainable water management (paragraph 2.5).

- 1.8 **The CCLIP will contribute to a progressive improvement in water security.** In line with the determinants identified in paragraphs 1.3 to 1.7, the program seeks to make water use more efficient, boost effective water availability, and strengthen the resilience of the systems, addressing gaps such as high loss levels, inefficient consumption, and management limitations without requiring a proportional expansion in supply. At the same time, whenever feasible, the program will strengthen institutional capacity at the jurisdictional level, pursuant to paragraphs 1.6 and 1.7, through the adoption of modern management tools and improvements in planning, regulation, and financial sustainability.
- 1.9 In addition, the CCLIP will operate as a learning platform, creating, to the extent possible, a common framework of indicators, evaluation, and monitoring for each individual operation (paragraph 4.11) and making it possible to generate comparable evidence on the effectiveness of various solutions—in, for example, loss reduction, micrometering, reuse, or operational resilience—and scale up cost-effective practices across jurisdictions. This approach enables measuring not only impacts on key variables, such as effective water availability or reclaimed or reused water volume, but also improvements in operational efficiency (non-revenue water, consumption, micrometering) as well as in service quality and resilience.
- 1.10 **First individual operation under the CCLIP in Mendoza.** In terms of natural long-term water availability, the most vulnerable Argentine provinces are those in the Cuyo region (Mendoza, San Juan, and La Rioja). Their water supply is largely dependent on Andean snowmelt, and they face chronic water stress, aggravated by climate change and glacier retreat, according to reports from the National Water Institute (Instituto Nacional del Agua) and the National Hydrological Observatory (Observatorio Hidrológico Nacional). In this regional context, Mendoza's situation is particularly critical since its economic and population development model focuses on productive oases that account for just 4% of the provincial territory but house approximately 95% of the population. This territorial configuration makes the province a priority and representative case for addressing the issue of water insecurity, which is why it was selected for the first individual operation under CCLIP AR-O0034. Recent projections confirm Mendoza's high vulnerability to climate change and the impact on regional water security. In particular, a study by the Argentine Institute of Nivology, Glaciology, and Environmental Sciences (IANIGLA) titled "[Proyecciones del clima y de la oferta hídrica para las próximas décadas en la provincia de Mendoza](#)" (Toum, Rivera, and Viale, August 2023) and based on hydrological and climate models, projects a significant (25% to 30%) decline by 2050 in the streamflow of the rivers that supply the province (Table 1). This expected reduction in water availability, coupled with the increase in evaporation, will boost agricultural irrigation demand from current levels, and in dry years will constrain the province's capacity to simultaneously meet the needs of all user sectors. Data from the General Irrigation Department (DGI) [17] for the Mendoza river basin—the area of influence of this operation—show that historical average availability was 2,233 Mm³/year, while 2025/2026 projected availability drops to 1,388 Mm³/year (-38%), indicating a gap between supply and the desired

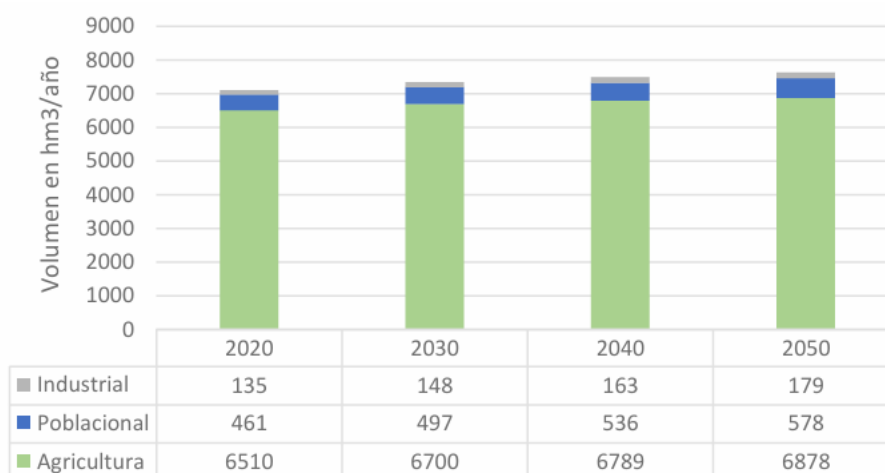
level of resource stability and pointing to a hydrological classification of the basin as severely stressed. According to AySAM data, drinking water production totals 312.85 Mm³/year, which, in the absence of efficiency and demand management measures, raises the ratio of withdrawals to resources and therefore increases the risk of a shortage.

Table 1. Projected changes in surface water availability in the province of Mendoza for various periods compared with the 2000-2020 period

Period	Average annual available water in Mendoza (Mm ³)	Change (%) from 2000-2020
2000-2020	4,888	
2030	4,502	-7.90%
2050	4,243	-13.20%
2070	3,671	-24.90%

- 1.11 According to the [Master Plan for the Water Sector in the Province of Mendoza](#), water demand is not forecast to grow exponentially, especially in terms of domestic water consumption, as shown in Table 2, but it will be powerfully affected by the lack of availability.

Table 2. Water demand in the province of Mendoza



- 1.12 **Provision of services and coverage.** At the provincial level, piped water and sewerage coverage respectively stood at 91.9% and 64.4% in 2022 [18]. The main operator is AySAM, a majority State-owned corporation [19] that serves 70% of the province's population. The other 30% is served by municipal operators.
- 1.13 **Agricultural reuse of treated wastewater.** Mendoza has a long track record in the reuse of effluents for agricultural irrigation, with more than five decades of practice. At present, AySAM irrigates 8,081 hectares in its concession area using

- this system. While the specific legislation in this regard is recent, reuse has become well established in the province as a water management strategy.
- 1.14 **Institutional framework.** The General Irrigation Department (DGI) is AySAM's regulatory authority ([optional link 10](#)). It is a constitutionally established autonomous body with regulatory powers in the province over the entire public water cycle. In Mendoza, water is a public resource and its use is regulated, meaning that both individual users and companies must pay a fee for using it. Thus, AySAM pays the province a water fee, managed by the DGI.
- 1.15 **Main problem.** The core problem that the operation seeks to solve in the province of Mendoza is that of growing water insecurity, evidenced by a steady rise in water scarcity and variability. This problem stems from determinants that fall within the analytical framework of the CCLIP for Argentina (paragraphs 1.2 and 1.7) and which, in the case of Mendoza, primarily take the form of: (i) weaknesses in the provision and management of water and sanitation services; and (ii) limitations in water availability and quality due to inadequate treatment of wastewater.
- 1.16 **Determinant 1. Weaknesses in the management of water and sanitation services.** In line with the national determinants regarding access to water and sanitation services (paragraphs 1.6 and 1.7), AySAM, the provider in the province of Mendoza, faces major service management challenges in terms of operational efficiency and sustainability (technical and financial planning, risk management, and asset operation). While AySAM reports high coverage (91% in drinking water and 83% in sanitation), service provision shows critical shortcomings that adversely affect water security: a non-revenue water level of 42% (physical losses of 38%), with micrometering at merely 9%, hindering metered billing and limiting AySAM's ability to implement consumption management strategies based on a framework of incentives designed to encourage rational use of drinking water (e.g., rate and consumption tiers); consumption levels estimated by AySAM at 742 liters per capita per day, exceeding the national average of 300 liters per capita per day (paragraph 1.6) [\[20\]](#); and low efficiency in the treatment of drinking water. AySAM's limited institutional capacity is reflected in, among other things, an obsolete technology platform that does not allow for an integrated management system covering all assets operated by the provider. As a result, the average time elapsed between the occurrence of a critical operational incident (failure, overflow, overpressure, service interruption) and the start of corrective action is on the order of several hours and can even be more than a day. These delays increase physical water losses, multiply the health risks from sewer overflows not addressed in a timely manner, and degrade perceived service continuity and quality. In addition, the strategic plan implemented by AySAM shows that drinking water distribution and wastewater collection networks have deteriorated and surpassed their useful life. The absence of a sustained and resilient rehabilitation program undermines the operation and quality of the service and limits any expansion of water and sanitation services. It is estimated that 38% of non-revenue water is attributable to physical losses, and household micrometering covers 9% of connections, well below the average for the region. In the Greater Mendoza area, 36% of the water distribution networks are in fair or poor condition. All told, 35% of the main wastewater collectors are in fair or poor condition or overloaded, affecting conveyance capacity, creating blockages and overflows, and preventing coverage expansion. At the same time, the 2022 AquaRating self-evaluation found that the

indicators and practices regarding complaint management and user satisfaction monitoring, quality of customer service, and commitment to service quality reflect low performance levels. Limited management capacity and the critical state of infrastructure create a vicious cycle that undermines operational efficiency and sustainable management of the water resource.

- 1.17 **Determinant 2. Limited water quality and availability associated with inadequate wastewater treatment.** This determinant falls within national challenges associated with water quality, health risks, and water availability (paragraphs 1.4 and 1.5), which in the case of Mendoza are exacerbated by the obsolete and overloaded wastewater treatment infrastructure operated by AySAM (16 treatment plants in operation for almost 40 years). Campo Espejo and Paramillo are the most important plants in the provincial system, collectively treating a flow of 3,441 liters per second (108.5 Mm³), which is equivalent to 76% of the total wastewater flow treated by AySAM for agricultural reuse. Approximately 70% of the plants operate beyond their design capacity, in terms of both flow (hydraulic overload) and pollutant load (organic overload). In some plants, treatment quality indicators (organic load, DBO₅ removal, fecal coliform removal, and hydraulic retention time) have declined considerably from their 2000 levels, according to AySAM data. This compromises the quality of the treated effluents, hindering their alignment with the parameters established under the current discharge regulations (Resolution 52/20), which creates potential health risks and restricts the availability of reclaimed water in terms of both quantity and quality, limiting the special restricted crop area (ACRE) land that can be placed under continuous, year-round irrigation. At present, 84.5 Mm³ of reclaimed water generated by AySAM in the program's area of influence consistently complies with the treatment plants' design parameters. However, the total volume produced is not enough to irrigate total ACRE land within the program's area of influence (paragraph 1.26). Wastewater is a potential source of approximately 4.3 m³/s of reclaimed water (the wastewater flow currently treated by AySAM). If the treatment is deficient, that flow will not be properly available for irrigation. Improving the quality and availability of treated wastewater makes more water available for other basin stakeholders and therefore improves water security in Mendoza.
- 1.18 **Proposed solutions and evidence of their effectiveness.** The CCLIP will support two complementary areas: (i) structural water and sanitation infrastructure actions and works aimed at boosting the systems' resilience to extreme hydroclimatic events; and (ii) nonstructural management actions focused on strengthening planning, operational management, and institutional capacity of water and sanitation providers and the entities responsible for managing water resources. The international evidence and the experience of multilateral organizations demonstrate that water security interventions based on specific territorial diagnostic assessments lead to better results in terms of long-term effectiveness, sustainability, and resilience than uniform solutions. Specifically, the World Bank [21] shows that aligning investments with local determinants of scarcity, quality, risk, and institutional capacity reduces implementation costs, improves service performance, and maximizes economic and social benefits per investment unit, while homogeneous approaches tend to produce lower-impact and limited-sustainability results.

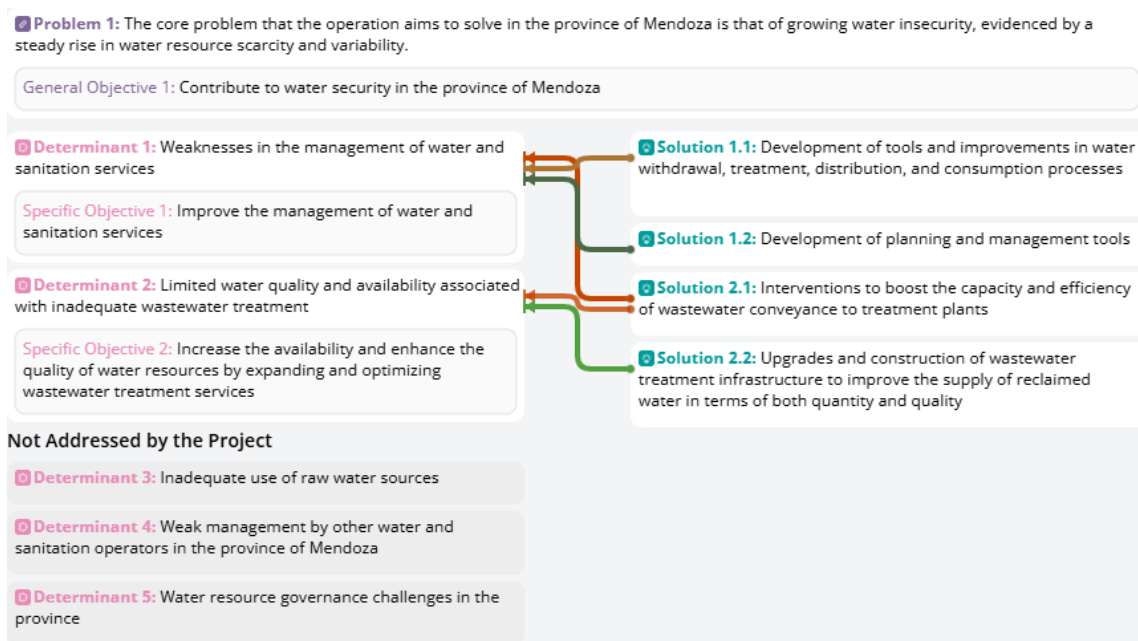
- 1.19 Specifically in Mendoza, a set of interventions is envisaged around two determinants addressed by the program, with proven solutions whose effectiveness in global, regional, and local contexts has been borne out by the empirical evidence ([required link 1](#)).
- 1.20 **Solution 1.1 Development of tools and improvements in water withdrawal, treatment, distribution, and consumption processes.** A program for micrometering and comprehensive rehabilitation of household drinking water connections will be implemented along with automation and optimization of water wells and treatment plants. Micrometering actions are a first step but do not, on their own, reduce consumption; to be effective, they must be paired with implementation of the Supervisory Control and Data Acquisition (SCADA) system and awareness campaigns (solution 1.2). Based on the data and capacity generated in this first stage, a second phase can proceed with more advanced interventions such as hydraulic sectorization, pressure control in the system, and scaling of metering (micro and macro) for other sectors in the concession area. In parallel, it is important to note that AySAM has a micrometering program that it will implement with own resources, which will strengthen the outcomes of this operation. Household meters will be installed in currently unmetered areas, increasing the number of connections with metered billing. At the same time, household connections in poor condition, which significantly contribute to physical losses, will be rehabilitated. Optimizing water wells and treatment plants helps to enhance the efficiency of water withdrawal and treatment capacity using existing infrastructure.
- 1.21 **Solution 1.2 Development of planning and management tools.** Complementarily, a comprehensive set of actions will be implemented to develop planning and institutional strengthening tools for AySAM. The core of the solution consists of upgrading AySAM's technology platform by transitioning to an integrated management system in order to improve operational efficiency and service quality. This system, known as Supervisory Control and Data Acquisition (SCADA) will provide a comprehensive, real-time view of the entire water infrastructure managed by AySAM, reducing the average detection and response time following critical operational incidents. In addition, a digital modernization and smart complaint management program will be implemented, automating customer service, improving perceived quality of service, and generating strategic information for decision-making. Furthermore, the operation will finance the development of detailed engineering designs for future investments (multipurpose Río Mendoza-Las Compuertas) and a greenhouse gas emission mitigation strategy, with special emphasis on sludge management. Technological innovation actions aimed at exploring solutions for efficient management of the resource will also be included.
- 1.22 To ensure the social sustainability of the interventions, the operation will include public awareness initiatives on efficient water use. Lastly, it will implement strengthening actions, including a climate resilience plan for AySAM and a diagnostic assessment and action plan for small operators outside AySAM's concession area.
- 1.23 Together, these interventions will structurally transform AySAM's capacity to plan, operate, and manage its water and sanitation service in an efficient, resilient, and

sustainable manner, contributing to water security in the province of Mendoza. Specific studies on Argentine companies (AySA, OSSE Mar del Plata, SAMEEP) agree on this trend: network modeling, pressure management, and macrometering improvements are identified as the main mechanisms for reducing real losses and enhancing performance in water stress scenarios, although implementation remains uneven and dependent on institutional capacity and adequate financing [\[22\]](#) [\[23\]](#) [\[24\]](#) [\[25\]](#) [\[26\]](#).

- 1.24 **Solution 2.1 Interventions to boost the capacity and efficiency of wastewater conveyance to treatment plants.** To address the current limitations of the collection system, which affect conveyance capacity, create blockages and overflows, and prevent an expansion of sanitation coverage, the main intervention will consist of building a new collector sewer. This relief sewer will carry a large part of the wastewater effluents currently conveyed solely by the Northeast trunk sewer (on the verge of collapsing) in the Paramillo Basin, which serves approximately 50% of the Greater Mendoza population. The proposed solution provides the Paramillo wastewater collection system with greater flexibility and enables rehabilitating the Northeast trunk sewer, preventing contamination due to overflows while making it possible to expand the service to sectors that lack it. This solution will ensure that a larger flow of wastewater efficiently and reliably reaches the treatment facilities, thereby maximizing the impact of the wastewater treatment investments.
- 1.25 **Solution 2.2 Upgrades and construction of wastewater treatment infrastructure to improve the supply of reclaimed water in terms of quantity and quality.** Complementarily, in response to the problem of limited water resource availability in Mendoza, aggravated by the substandard condition of treatment plants that have surpassed their useful life, the program will implement upgrades and/or construction of treatment infrastructure with a view to enhancing and optimizing the quality of reclaimed water for reuse in agricultural irrigation (paragraph 1.9). The interventions prioritize technological solutions suited to local conditions and quality requirements for irrigation ([Resolución 52/20 del Honorable Tribunal Administrativo de Irrigación](#)).
- 1.26 The combination of resilient infrastructure, strengthening of institutional capacity, and coordination with key water management actors (the DGI and irrigators) ensures that the investment not only solves a sanitation problem but actively contributes to provincial water security, creating a virtuous cycle between sanitation, agriculture, and environmental sustainability. The evidence shows that improving wastewater treatment coverage and performance is a direct causal intervention for enhancing quality and increasing effective availability. This is particularly critical in Latin America and the Caribbean, in Argentina (wastewater treatment deficit ~ 36.5%), and in Mendoza, where quality constrains the fraction of flow suitable for priority uses [\[27\]](#) [\[28\]](#) [\[29\]](#) [\[30\]](#) ([required link 1](#)). The operational experience in Mendoza shows that rehabilitation of wastewater treatment plants based on stabilization lagoons (Campo Espejo and Paramillo), combined with construction of collector sewers that eliminate overloads in effluent conveyance, can result in treated wastewater suitable for controlled agricultural reuse under DGI quality and monitoring standards. In this scenario, improving the quality and reliability of wastewater treatment not only reduces health risks but becomes a strategic source of increased water availability in a province marked by structural

- water stress, directly contributing to the water security objectives of the first individual operation and the CCLIP.
- 1.27 **Expected project contribution.** The program will reduce dependence on primary sources, relieve pressure on aquifers and surface bodies of water, and make the supply of drinking water more sustainable. At the same time, the program will steadily increase the availability and enhance the quality of treated water for agricultural reuse. This will enable an expansion of the area under irrigation and an increase in productivity and prevent competition with other sources, helping to mitigate the impacts of water stress.
- 1.28 **Beneficiaries and expected benefits.** The program will benefit approximately 858,500 people (224,150 households) in the form of improved wastewater collection and conveyance and expanded adequate treatment and reuse. In addition, the program will enable an improvement in the quality and efficiency of water service, directly benefiting 73,500 people (26,780 households) by replacing household connections and indirectly benefiting some 690,000 people thanks to more efficient and reliable service.
- 1.29 In terms of productive and institutional benefits, the continuous provision of reclaimed water that complies with design quality parameters will sustain irrigation for 6,476 hectares of land (3,354 in Paramillo, 3,062 in Campo Espejo). On ACRE land under cultivation, boosting productivity and incorporating 541 additional hectares (481 in Paramillo and 60 in Tulumaya) into agricultural production will benefit approximately 305 farmers. Lastly, the program will strengthen AySAM by enhancing its operational capacity, adaptive planning, and efficiency in the provision of water and sanitation services, creating indirect financial benefits that will help to reinforce the sustainability of this provincial water and sanitation provider.
- 1.30 **Economic analysis.** Cost-benefit analyses were applied to drinking water efficiency interventions and interventions for expansion and improvement of wastewater conveyance and treatment in the Campo Espejo and Paramillo systems, while cost-effectiveness analyses were applied to sanitation interventions in the Uspallata and Tulumaya systems. The benefits were estimated using willingness to pay, consumer surplus, savings from reductions in non-revenue water, and reuse co-benefits, while the costs considered include investment costs and incremental operation and maintenance costs at shadow prices. The analyses validate the socioeconomic viability of the program, with positive and robust economic rates of return (14.7%-38.5%) and an overall rate of 28.5%, while confirming that the selected sanitation alternatives for Tulumaya and Uspallata are those with the lowest economic cost. The sensitivity analysis shows a larger impact from reductions in willingness to pay (15%), lower benefits from reductions in non-revenue water (30%), and increases in investment costs (20%) ([optional link 7](#)).

Figure 1. Theory of change summary



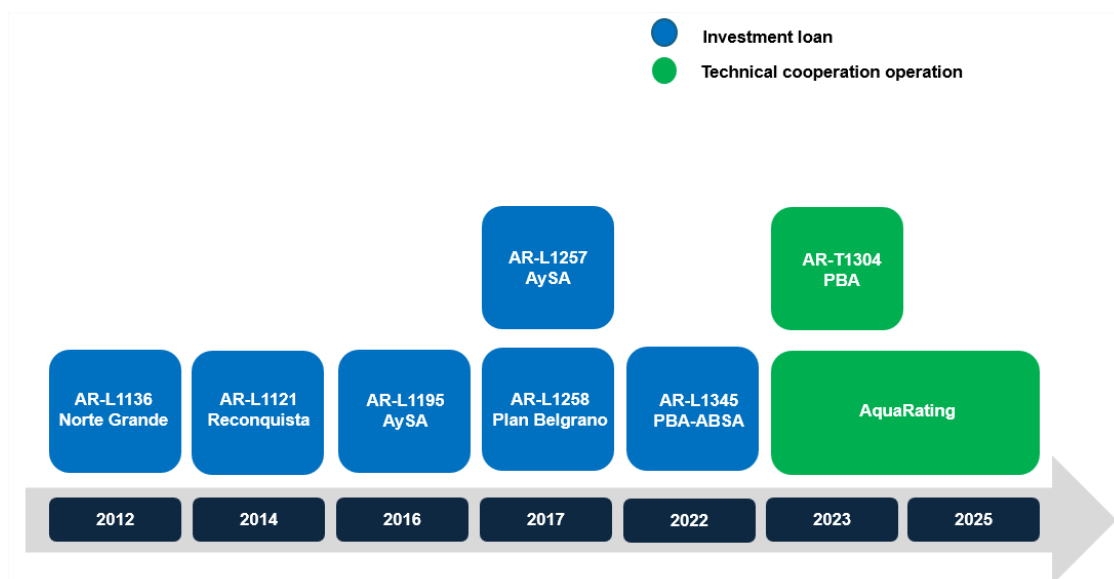
Note: Click on this [link](#) to review the theory of change in more detail.

1.31 **Alignment with the Public Utilities Policy (GN-2716-6).** The program is consistent with the financial sustainability criteria (paragraph 3.5) and economic viability criteria (paragraph 1.30) of the Public Utilities Policy and contributes to the policy's objectives by improving access to, and the quality and efficiency of, water and sanitation services. This is achieved through infrastructure rehabilitation, reductions in non-revenue water, institutional strengthening, technological modernization, and an increase in wastewater treatment capacity and quality. In addition, the operation promotes demand management, community engagement in water conservation, and financial, environmental, and social sustainability of public services ([optional link 9](#)).

B. The Bank's additionality

1.32 **Programmatic approach.** The proposed program is part of an IDB programmatic strategy aligned with the pillars of the current water and sanitation sector framework: access and quality, efficient service management, financing and governance, innovation, and environmental sustainability (paragraphs 1.3 and 2.6). This CCLIP and proposed first individual operation adopt a strategic and long-term approach to addressing the challenges faced by subnational jurisdictions in terms of water security in Argentina, while recognizing the federal nature of the country and the specific provincial needs, which were identified in the context of significant lessons learned from past operations.

Figure 2. [Timeline of Bank support](#)



- 1.33 **Nonfinancial additionality.** The preparation of this operation has been preceded by multiple instances of support to the province (support in technological innovation pilots, AquaRating, KSP, etc.), making it possible to establish a baseline, assess the scope of the problem, and set future objectives, which this first individual operation will begin to address. In short, this Bank additionality will assist AySAM not only in identifying and carrying out priority works but also in developing management capabilities aimed at strengthening its administrative performance, improving management, and boosting expenditure efficiency.
- 1.34 **Synergies with the private sector.** Inefficient gravity irrigation is the most widely used irrigation method in Mendoza. By improving the quality of treated wastewater, this operation can spur private investments in crop conversion and efficient technologies. Potential collaboration with private sector windows at the IDB will be evaluated to structure innovative financial products that facilitate the adoption of efficient irrigation and business opportunities for agricultural reuse.
- 1.35 **Collaboration with other institutions.** FONPLATA approved a US\$75 million loan to improve the water provision system through a pilot plan for reducing non-revenue water, focusing on specific sectors to test loss control strategies. In parallel, this program will finance initiatives to reduce physical losses (a component of non-revenue water), spanning a broader spectrum. The synergy between the two initiatives is both strategic and operational: the results and methodologies validated by the FONPLATA pilot will serve as essential inputs for scaling and optimizing the interventions envisaged under this program.

II. COSTS AND FINANCING STRUCTURE

A. Project components

- 2.1 **Component 1. Improvements in service management and institutional strengthening (US\$35 million).** This component will finance: (i) micrometering

and rehabilitation of household water connections and water well modernization and automation; (ii) implementation of AySAM's complaint management and monitoring system and upgrading of the operator's technology platform; (iii) development of detailed engineering designs and complementary interventions in water treatment plants to improve operational management; (iv) public awareness campaigns on efficient water use and development of technological innovation pilot plans; and (v) actions for women's workforce participation through a women's peer exchange, mentorship, and institutional advocacy network and an inclusive institutional policy with a focus on disabilities.

2.2 **Component 2. Infrastructure works (US\$112.5 million).** This component will finance: (i) large-scale wastewater effluent collection and treatment system in Tulumaya-Lavalle; (ii) rehabilitation of the Campo Espejo and Paramillo treatment plants and expansion and optimization of the Uspallata treatment facility; and (iii) construction of stages II and III of the Colonia Segovia collector sewer.

2.3 **Administration, monitoring, and evaluation (US\$2.5 million).** This component will finance administration, supervision, evaluation, and other operating expenses.

B. Dimensioning and financing structure

2.4 The loan amount will be US\$150 million, chargeable to the resources of the Ordinary Capital of the Bank. No cofinancing or local counterpart contribution is envisaged. The tentative budget is shown in Table 1.

Table 1. Estimated costs (US\$ million)

Components	IDB	Total	%
Component 1. Improvements in service management and institutional strengthening	35	35	23.33
Component 2. Infrastructure works	112.5	112.5	75.00
Administration, monitoring, and evaluation	2.5	2.5	1.67
Total	150	150	100.00

C. Financing instrument or modality

2.5 A sector CCLIP is proposed, with financing of up to US\$1 billion from the Bank's Ordinary Capital, to be implemented over a 10-year horizon through at least five individual investment loan operations. The first individual operation, for US\$150 million in the province of Mendoza, has been designed as a specific investment program in accordance with the operating guidelines for this type of operation (PR-202) [31]. The eligibility of the CCLIP and the first operation is addressed in paragraphs 5.1 and 5.2.

2.6 The selection of instrument is justified by the need to adopt a programmatic, long-term approach to addressing Argentina's structural problems in water security. The evidence shows that adapting interventions to the regional context creates a more significant and profound impact than when interventions are standardized and aimed broadly at all subnational jurisdictions (paragraph 1.18). This positions the CCLIP as a strategic instrument designed to establish a long-term action framework specifically aimed at improving water security in the

- provinces and in the City of Buenos Aires. Under this approach, the credit line enables adapting the interventions to suit the country's varying regional circumstances, addressing water scarcity in arid areas, the management of surpluses in wet areas, and the protection of vulnerable water sources in a context-specific manner. Thus, the CCLIP helps to assure both the availability and quality of the water resource, ensuring sustainable use of this resource for both human consumption and productive activities ([required link 1](#)).
- 2.7 The proposed amount is based on an indicative pipeline of identified investments in: the province of Mendoza (US\$300 million, of which US\$150 million is for the first operation); the province of Entre Ríos (US\$200 million for works in the Paraná and Uruguay river basins); the province of Salta (US\$250 million in support of the Aguas del Norte investment plan); and the City of Buenos Aires (US\$250 million for the Baja Costanera collector sewer), collectively totaling US\$1 billion. Each individual loan will be processed independently, enabling simultaneous implementation of multiple operations in different subnational jurisdictions.
- 2.8 The individual operations under the CCLIP are aimed at jurisdictions and basins with water security problems and must meet the following eligibility criteria: (i) the jurisdiction has a sector planning mechanism (adaptation plan, water security plan, master plan, and others); (ii) the operations are aligned with the sector policy instruments of the provinces; (iii) the executing agency has satisfactory execution capacity; and (iv) the objective of the operation directly contributes to achieving the CCLIP's objective. In addition, the operations will be prioritized based on their proposed depth in addressing the six structural challenges common across the identified jurisdictions ([optional link 2](#)) and falling under the four CCLIP determinants that describe the water security problem in Argentina (paragraphs 1.4-1.7). These challenges are: (i) disparities in water availability and structural stress; (ii) climate variability and hydrological extremes; (iii) water quality and health risks; (iv) gaps in access to water and sanitation; (v) fragmented governance and institutional limitations; and (vi) competing uses and sustainability.
- 2.9 Thus, the interventions are conceived not as isolated projects but as solutions aimed at addressing structural water security issues in Argentine subnational jurisdictions. This approach acknowledges the disparities across jurisdictions in terms of water availability, institutional capacity, regulatory frameworks, and political economy, which determine the scope and sustainability of the interventions. Consequently, the effectiveness of interventions hinges on their suitability to the local context rather than on an outright reproduction of intervention templates.
- 2.10 In the case of the first individual operation in the province of Mendoza, Table 3 summarizes the alignment between the structural challenges, how they manifest in the province, and the interventions financed by the program. At the same time, it shows that the first operation's determinants (paragraphs 1.16-1.17) are consistent with the determinants of the CCLIP (paragraphs 1.4-1.7).

Table 3. Structural challenges in Mendoza

Structural challenge	Challenges in Mendoza	Program interventions in response
1. Disparities in water availability and structural stress	Significant drop by 2050 (estimated at 25% to 30%) in the river flow supplying the province	Rehabilitation of the Campo Espejo and Paramillo wastewater treatment plants to increase and improve reclaimed water
2. Climate variability and hydrological extremes	Climate change adaptation	Development of climate resilience plan for AySAM
3. Water quality and health risks	Approximately 70% of the plants operate beyond design capacity. At some plants, treatment quality indicators have declined considerably from their 2000 levels.	Rehabilitation and optimization of wastewater treatment plants (Campo Espejo, Paramillo, Uspallata), sludge extraction, and improvements in DBO ₅ and fecal coliform removal
4. Gaps in access to water and sanitation	35% of collector sewers are in poor condition or overloaded. Villa Tulumaya lacks safe sanitation (effluent disposal field).	Colonia Segovia collector sewer construction (Stages II and III) and Villa Tulumaya-Lavalle large-scale wastewater collection
5. Competing uses and sustainability	High consumption and limited metered billing	Micrometering; public awareness campaigns; agricultural reuse as an alternative source to reduce pressure on primary sources

2.11 The CCLIP will promote the adoption of technically proven solutions adapted to subnational jurisdictional contexts, along with the strengthening of local management and implementation capacities. In the absence of national planning frameworks and uniform incentives, the use of an operational long-term conditional line of credit allows the Bank to effectively help in reducing water insecurity by progressively implementing multiple subnational operations aligned under a common vision. This approach, consistent with the national-provincial coordination system for water resource management in the context of climate change, adds value by establishing a structured mechanism for technical assistance and learning across jurisdictions, with support from the Bank (paragraph 1.2). This encourages the subnational jurisdictions progressively and sustainably to address their water security challenges. Against this backdrop, the Bank is preparing a technical cooperation operation to support the gap analysis, define baselines, and establish an early alignment with the CCLIP. In this regard, the proposed CCLIP complements CCLIP AR-O0019 (paragraph 1.30) but with differentiated roles. While the first (AR-O0034) finances specific interventions aimed at reducing water insecurity through appropriate management of water resources by water and sanitation operators and entities associated with water resource management in subnational territories, the second focuses on policies, investments, and multipurpose works of interjurisdictional scope in shared basins—helping the country modernize its water resource management through structural measures (restoration of sources, nature-based solutions, the nexus approach between human consumption, irrigation, and energy) and nonstructural measures (policy design, capacity-building, financial planning, and digital solutions). Together, the two lines maximize the consistency and impact of Bank support to Argentina’s water sector ([optional link 2](#)).

III. MAIN RISKS AND MANAGEMENT STRATEGY

A. Risks

- 3.1 **Context risks.** A high risk has been identified with regard to the economic and financial context, inasmuch as persistent macroeconomic volatility and inflationary processes could lead to increased construction costs in local and/or foreign currency, potentially affecting program execution. To manage this risk, price adjustment formulas will be included in works contracts to accommodate local currency volatility.
- 3.2 **Capacity risks.** The institutional capacity assessment of the executing agency (AySAM) and the International Financing Unit (UFI) responsible for financial management of the program identified medium-high and high risks, primarily associated with the internal processes for interagency coordination between these two entities. These risks will be managed by adopting a mitigation strategy, which includes the formalization of roles, responsibilities, and workflows through a Responsible, Accountable, Consulted, and Informed (RACI) responsibility assignment matrix that will be part of the program Operating Regulations, together with an execution agreement between the borrower and the executing agency, as conditions precedent to the first disbursement (paragraph 4.7).
- 3.3 **Project-specific risks.** If the AySAM execution unit is simultaneously faced with a large number of complex procurement processes (primarily for works), evaluation delays could ensue, affecting implementation of the procurement plan. This risk will be mitigated by bringing additional staff into the procurement area and through early and periodic training in procurement and contract management.

B. Sustainability

- 3.4 **Financial sustainability.** AySAM's financial results show a positive trend over the 2021-2024 period, including an EBITDA margin of 21.3% in 2024 and an average of 11.8% for the period. The company's revenues are derived from rates, specific user charges, and government contributions to investments. For 2025, AySAM requested a 35.5% rate increase; a 33.3% increase was approved, to be implemented in two stages. Collection efficiency reached 93% in the 2021-2024 period. Two financial scenarios were developed: a base case scenario, which incorporates efficiency and performance improvements, and an alternative scenario, which does not consider them. In both scenarios, financial capacity is sufficient to operate and maintain the infrastructure. In 2030, the projected EBITDA margin is 39% under the base case scenario and 27% under the alternative scenario ([optional link 5](#)).
- 3.5 **Sustainability of results.** The sustainability of program investments rests on two core pillars: (i) creation of operational savings as a result of the interventions; and (ii) AySAM's parallel institutional strengthening to efficiently manage the assets. The investments in water efficiency (micrometering and rehabilitation of household connections) will enable a reduction in physical losses. Each percentage point reduction in physical losses lowers production costs (energy and inputs) and raises billing revenues, improving AySAM's financial position. In addition, optimizing the treatment plants will reduce the variable operating costs by mitigating problems such as frequent cleanups of lagoon systems with excess

sludge or the use of high disinfectant dosages due to deficient treatment. At the same time, implementation of stages II and III in the Colonia Segovia collector sewer reduces repair costs associated with breaks and blockages in the Northwest collector sewer. To ensure that these benefits are long-lasting, the program will finance institutional strengthening actions, including: (i) upgrading of the technology platform for more efficient commercial and operational management; and (ii) development of an asset management system that provides a long-term maintenance plan and a micrometering investment plan to transition from a reactive approach to a preventive and planning one. Also, the works envisaged in Villa Tulumaya and in Uspallata will provide continuous system operation and maintenance under performance standards for 24 months, ensuring an effective transition from investment to a sustainable provision of services ([optional link 5](#)).

- 3.6 **Scalability and replicability of results.** The program is a replicable model for subnational jurisdictions with the following characteristics: water stress, operators with high levels of non-revenue water, low wastewater treatment efficiency, and agricultural reuse opportunities. Micrometering and rehabilitation of connections are scalable to the rest of AySAM's concession area. Regarding reuse, Mendoza has five decades of practice but also has quality challenges. The investments in plant optimization will improve the quality of water for reuse and will create a technical, environmental, and institutional model that can be replicated in other water-stressed regions.

C. Environmental and social risks

- 3.7 **Environmental and social considerations.** The operation has been assigned a Category "B" environmental and social impact classification (ESIC) and a "Substantial" environmental and social risk rating (ESRR). Environmental and social impacts and risks are anticipated in the form of temporary impacts and occupational and community health and safety risks, soil and water contamination risks, primarily in the management of residual sludge from treatment plants, and potential complaints from the public due to temporary road closures, odor generation, and vector proliferation.
- 3.8 **Disaster and climate change risk classification (DCCRC).** The operation has been assigned a "Moderate" DCCRC. Under the Bank's disaster risk management methodology and based on the works envisaged for the program, the interventions have been rated for criticality and vulnerability, according to their components, as follows: (i) the physical characteristics criterion is rated Low; (ii) interaction with the anthropogenic and natural environment is rated Low; and (iii) loss of essential services in the event of failure is rated Moderate.
- 3.9 Considering that the program's modality is a specific investment loan, the following documents were prepared as part of the due diligence process to address the requirements of the Environmental and Social Policy Framework (ESPF) and the 10 Environmental and Social Performance Standards (ESPS): an Environmental and Social Analysis (ESA) of program works, an environmental and social management plan (ESMP), and a stakeholder engagement plan, in all cases aligned with the ESPF requirements and the ESPS. In addition, the executing agency's existing socioenvironmental studies were analyzed for gaps with respect to the ESPS under the Bank's ESPF, and the corresponding socioenvironmental management instruments were strengthened accordingly ([required link 4](#)). In

compliance with the ESPF, preliminary versions of the following documents were published on the [IDB website](#) on 10 February 2026: the ESA and existing studies, the ESMPs, and the stakeholder engagement plans for the interventions. Regarding the stakeholder engagement plan, consultation activities were conducted in March 2026 in the form of participatory workshops in Colonia Segovia (Guaymallén) and Villa Tulumaya (Lavalle). The updated versions of the socioenvironmental documents will be published along with the consultation reports prior to the distribution of the operation to the Bank's Board of Executive Directors.

IV. IMPLEMENTATION, MONITORING, AND EVALUATION ARRANGEMENTS

A. Summary of implementation arrangements

- 4.1 **Execution mechanism.** The executing agency for the operation will be AySAM, whose primary responsibility will be technical and operational management. The International Financing Unit (UFI), which reports to the Province of Mendoza's Ministry of Finance, will be responsible for financial management and accounting for the program. The details of the execution mechanism, procedures, responsibilities, and applicable circuits for proper program execution will be set out in the program Operating Regulations ([optional link 6](#)).
- 4.2 **Lessons learned for project implementation.** As described in paragraph 1.16, the experience shows that interventions targeted at subnational jurisdictions generate more sustainable impacts than those standardized at the national level. This is the main lesson learned for this program from the execution of large national programs ([3451/OC-AR](#)) that failed to properly prioritize subnational needs. Thus, in the case of financing for stage I of the Paramillo wastewater treatment plant, the absence of a technical exchange with AySAM led to a solution that was not suited to the plant's specific needs and operating logic. Empirical evidence and ex post evaluation by the IDB and other multilateral organizations make the point that pairing infrastructure investments with institutional reforms and capacity-building is a determinant for the sustainability of the services, as documented in the project completion reports for the programs in Panama ([PN-L1093](#)) and Trinidad and Tobago ([TT-L1026](#)). This evidence is consistent with international literature, which indicates that "soft" investments are complementary and, in many cases, a necessary condition for maximizing the return on physical investments, including sustained reductions in unaccounted-for water and improvements in cost recovery. In addition, experiences at the IDB (Program for the Modernization of Water Companies in Colombia, 2166/OC-CO) as well as at the World Bank and the Asian Development Bank demonstrate that adaptation to local conditions, ownership, and gradual capacity-building are key to sustainability.
- 4.3 Also worth noting are the lessons learned from water and sanitation operations with large operators, such as the programs in support of Agua y Saneamientos Argentinos SA (AySA) ([3733/OC-AR](#) and [4268/OC-AR](#)), which serves 17 million users in the Buenos Aires metropolitan area, as well as comprehensive basin management programs with a multisector approach (the Reconquista program with the province of Buenos Aires, [3256/OC-AR](#)) or large programs for treatment plant investments in the country's Norte Grande provinces ([2776/OC-AR](#) and [4312/OC-AR](#)). Each of these programs evidenced that each operator has different

- needs, depending on the province and its own needs, requiring more focused institutional strengthening in resource-constrained provinces and greater emphasis on large-scale bidding processes in the case of well-established operators.
- 4.4 Lastly, in addition to the experience gained in implemented programs, tools such as [AquaRating](#) have had an enormous impact by making it possible to identify weaknesses and strengths in water and sanitation operators, as well as lay the groundwork for the development of management and investment plans, such as the one envisaged under this proposed CCLIP and first individual operation in Mendoza.
- 4.5 **Planning of startup activities and key procurements.** The main activities to be implemented to ensure proper program execution are: (i) award the well modernization and automation contracts for the metropolitan area, planned as retroactive procurement; and (ii) prepare the technical and fiduciary information for the following bidding processes: (a) rehabilitation of the wastewater effluent treatment system at the Campo Espejo wastewater treatment facility; (b) sludge extraction at the Paramillo wastewater treatment facility; (c) construction and expansion of the Colonia Segovia collector sewer; (d) optimization of the Uspallata wastewater treatment facility; and (e) preparation of technical specifications for the following strengthening interventions: (1) micrometering and comprehensive rehabilitation of household water connections; and (2) upgrading of the AySAM technology platform.
- 4.6 **Operation and maintenance.** The works and equipment financed by this first individual operation will be operated and maintained by the service providers in accordance with generally accepted technical standards ([optional link 3](#)). The borrower will submit a report to the Bank on the state of the works and equipment and an annual maintenance plan for each intervention during the original disbursement period and for up to two years after its expiration or any extensions thereof. If any inspections conducted, or reports received, by the Bank indicate that the maintenance does not meet the generally accepted technical standards, the borrower, either directly or through AySAM, will take appropriate corrective action.
- 4.7 **Special conditions precedent to the first disbursement.** As special conditions precedent to the first disbursement, the borrower, acting through the executing agency, will provide evidence that: (i) an execution agreement has been signed by the borrower and the executing agency specifying the duties and responsibilities of both parties in implementing the program, including the role of the International Financing Unit (UFI) at the Ministry of Finance, and describing the resource management arrangements; (ii) the project execution unit has been created and its coordinator, procurement specialist, monitoring and evaluation specialist, and environmental and/or social specialist have been hired, assigned, and/or appointed, as applicable, along with the UFI's financial management team, in accordance with the profiles and terms of reference agreed upon with the Bank; and (iii) the [Program Operating Regulations](#) have been approved and have entered into force on the terms previously agreed upon with the Bank.
- 4.8 **Exceptions to Bank policy.** No exceptions to Bank policy are anticipated.

- 4.9 **Direct or advance contracting, retroactive financing, and recognition of expenditures.** No direct or advance contracting is envisaged. However, the possibility is being considered of conducting bidding processes subject to loan approval, in line with the execution arrangements planned for this operation as indicated in Annex III.
- 4.10 **Retroactive financing.** In accordance with the provisions of Annex III and paragraph 1.11 of procurement policy [GN-2349-15](#), the Bank may retroactively finance, as a charge against the loan proceeds, eligible expenditures incurred by the borrower/executing agency on or after 16 January 2026 up to the loan approval date for up to US\$3 million (2% of the total proposed loan amount) in the context of retroactive procurement processes related to the: (i) intervention on 44 groundwater pumping facilities distributed throughout Greater Mendoza; and (ii) provision and installation of soft starters, remote terminal unit (RTU) telemetry systems, monitoring and control infrastructure, chlorine analyzers, and monitoring and alarm systems to reinforce security at 44 groundwater pumping facilities distributed throughout Greater Mendoza.

B. Implementation arrangements for monitoring and evaluation

- 4.11 **Monitoring and evaluation considerations.** For program monitoring, the executing agency will use the results matrix; project execution plan; monitoring, evaluation, and learning plan; procurement plan; risk matrix; and semiannual progress reports. These documents will be submitted to the Bank within 60 days following the end of each six-month period ([required link 2](#)).
- 4.12 A midterm and a final evaluation are envisaged, in keeping with the project completion report guidelines. The midterm evaluation will be submitted upon disbursement of 50% of the loan or at 36 months from the effective date, whichever occurs first. The final evaluation will be submitted within 90 days following the final disbursement ([required link 2](#)).

V. ELIGIBILITY CRITERIA

- 5.1 **CCLIP eligibility criteria.** The proposed CCLIP meets the requirements set out in Annex III, paragraph 3.2, of the policy “Proposed Amendments to the Conditional Credit Line for Investment Projects (CCLIP) and the Multi-phase Program Loans” (GN-2246-13) and paragraph 3.6 of the CCLIP Operational Guidelines (GN-2246-15), since the objectives of the credit line fall within the priorities set out in the IDB Group Country Strategy with Argentina 2025-2028 (GN-3288).
- 5.2 **Eligibility criteria for the first operation.** The first individual loan operation meets the eligibility criteria of the CCLIP Policy and Operational Guidelines (GN-2246-13 and GN-2246-15): (i) a full assessment of the executing agency was conducted using the Institutional Capacity Assessment Platform (ICAP); (ii) the objective of the operation contributes to achievement of the CCLIP sector objectives, since it supports efforts by the Argentine government to make provision of water services more sustainable (paragraph 1.1); (iii) the operation falls within the water and sanitation sector corresponding to the CCLIP (paragraph 1.3); and (iv) the design of the operation includes activities identified through the ICAP (paragraph 3.2)

and identified actions to improve the institutional capacity of the executing agency (paragraph 2.1).

Development Effectiveness Matrix		
Summary	AR-L1422	
<i>I. Development Outcomes - Evaluability</i>		
		Evaluable
3. Evidence-based Assessment & Solution		9.3
3.1 Program Diagnosis		2.0
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		3.8
4. Ex ante Economic Analysis		10.0
5. Monitoring and Evaluation		9.0
5.1 Monitoring Mechanisms		3.4
5.2 Evaluation Plan		5.5
<i>II. Risks & Mitigation Monitoring Matrix</i>		
Overall risks rate = magnitude of risks*likelihood		Medium High
Environmental & social risk classification		B
<i>Evaluability Assessment Note (completed by SPD): The purpose of this note is to provide an overall assessment of the project's evaluability, as well as to ensure that the Board understands why scores were or were not given to the project.</i>		
I. Quality of the diagnosis and proposed solutions		
<p>The main problem addressed by the first operation under the CCLIP—growing water insecurity in Mendoza—as well as the determinants targeted by the project are clearly identified and quantified, and are consistent with two determinants identified at the CCLIP level.</p> <p>The program logic is clear, with proposed solutions directly linked to the problem drivers and supported by evidence of effectiveness. The results chain linking the proposed solutions to the operation's specific objectives is well articulated, and it is possible to relate the outputs that make up the four proposed solutions to the expected outcomes.</p>		
II. Quality of the Results Matrix		
<p>The Results Matrix adequately reflects the operation's vertical logic. Most output and outcome indicators meet the SMART criteria, with baseline values consistent with the diagnostic. All indicators include identified data sources and means of verification.</p>		
III. Economic Analysis		
<p>The economic evaluation is based on a cost-benefit analysis, which shows that the program is economically viable. The sensitivity analysis considers alternative scenarios for key assumptions and shows that the project remains feasible under most conditions.</p>		
IV. Monitoring and Evaluation		
<p>To assess the operation's effectiveness at completion, the Monitoring, Evaluation, and Learning (MEL) plan proposes an ex-post evaluation using a "before-and-after" analysis, complemented by an assessment of the project's plausible contribution to achieving the specific objectives. All monitoring and evaluation mechanisms have been adequately budgeted.</p>		
V. Other evaluability topics to highlight (if applicable)		
<p>No other topics related to the evaluability of the operation.</p>		

RESULTS MATRIX

STATEMENT OF PROJECT DEVELOPMENT OBJECTIVES

General development objective:	The objective of the CCLIP is to help improve water security in Argentina’s subnational jurisdictions. The general objective of the first individual operation is to contribute to water security in the province of Mendoza.
Specific development objectives:	The specific objectives of the first operation are to: (i) improve the management of water and sanitation services; and (ii) increase the availability and enhance the quality of water resources by expanding and optimizing wastewater treatment services.

A. GENERAL DEVELOPMENT OBJECTIVE

No.	Indicator	Unit of measure (data type)	Baseline (pre-intervention)		Evaluation scenario (post-intervention)		Comments ¹
			Value	Year	Target	Expected year measured	
I.1	Volume of water not withdrawn in the Mendoza river basin	Millions of m ³ /year	0	2026	24.94	2030	Volume of water not withdrawn from surface sources and aquifers. Refers to the volume of drinking water recovered as a result of a reduction in physical losses in the network, attributable to program activities aimed at enhancing the efficiency of the system.
I.2	Hectares under irrigation with wastewater adequately treated by AySAM for reuse on ACRE land on a year-round (12-month) basis	Hectares	0	2026	6,957	2030	Considers the entire special restricted crop area (ACRE) land under irrigation with reclaimed water during part of the year, totaling 6,476 hectares (3,354 Paramillo + 3,062 Campo Espejo) (without-project scenario), + 541 hectares of AySAM-concessioned ACRE land (481 in Paramillo and 60 in Tulumaya) [currently] without irrigation or under production in the program’s area of intervention. This is an impact indicator because it will make it possible to boost productivity of existing crops and simultaneously diversify agricultural production. “Adequately” means in compliance with design parameters for use in ACRE irrigation.

¹ For more detail on the measurement strategy and assumptions, consult [optional link 2 – monitoring, evaluation, and learning plan](#).

B. SPECIFIC DEVELOPMENT OBJECTIVES

No.	Indicator	Data type (unit of measure)	Baseline (pre-intervention)		Execution					Evaluation scenario (post-intervention)		Comments
			Value	Year	Year 1	Year 2	Year 3	Year 4	Year 5	Target	Expected year measured	
Specific development objective 1. Improve the management² of water and sanitation services												
R1.1	Annual number of complaints per 1,000 connections	# of complaints per 1,000 connections	380	2025	304	266	228	114	76	76	2030	Complaints about water and sanitation services in Mendoza are mainly associated with service interruptions, low pressure, pipe breaks, and sewer overflows.
R1.2	Non-revenue water (physical losses) index in the AySAM concession area	%	38	2025	37	36	36	35	35	35	2030	The percentage corresponding to the reduction in non-revenue water does not include commercial (apparent) losses.
R1.3	Number of annual interventions per km of sewer network	# of interventions per km	6	2025	6	6	6	1	1	1	2030	Interventions: number of actions per km carried out by AySAM to address reported breaks or blockages in the Paramillo system's 26-km long Segovia collector sewer.
R1.4	Users receiving metered bills from AySAM	# of users	39,155	2025					64,034	64,034	2030	Number of users who pay for actual consumption according to micrometer readings instead of paying an estimated fixed amount.

² The term "service management" encompasses technical and financial planning actions, risk management, and operation of the water and sanitation operator's assets.

No.	Indicator	Data type (unit of measure)	Baseline (pre-intervention)		Execution					Evaluation scenario (post-intervention)		Comments
			Value	Year	Year 1	Year 2	Year 3	Year 4	Year 5	Target	Expected year measured	
R1.5	Average detection and response time following operational incidents, defined as time elapsed between the occurrence of a critical event and corrective action	Hours	102	2025	102	102	80	65	51	51	2030	Baseline established based on the AquaRating self-evaluation performed by AYSAM. The target of 51 hours is supported by the evidence documented in the specialized literature on SCADA implementation in the water and sanitation sector. "Operational incident" is understood to mean any anomalous, unplanned event that affects the continuity, quality, safety, or efficiency of water and sanitation services.
Specific development objective 2. Increase the availability and enhance the quality of water resources by expanding and optimizing wastewater treatment services												
R2.1	Individuals whose wastewater is adequately treated in the area of intervention	# of individuals	0	2025				858,500	858,500	858,500	2030	"Adequate treatment" is understood to mean treatment that simultaneously and verifiably complies with regulatory and design parameters, is operationally continuous year-round without overloads or bypasses, and is reliable, so that the treated effluents are environmentally safe and potentially suitable for sustainable reuse in accordance with current regulations.
R2.2	Individuals with new or improved wastewater collection service in the area of intervention	# of individuals	0	2025					534,016	534,016	2030	Collection access is considered improved when the collection networks have no blockages and/or pipe breaks.
R2.3	Volume of treated water that meets quality standards for reuse in irrigation on ACRE land.	Millions of m ³ /year	84.5	2025	0	0	0	0	110.0	110.0	2030	Refers to the Campo Espejo, Paramillo, Uspallata, and Tulumaya treatment systems.

C. OUTPUTS

No.	Indicator	Data type (unit of measure)	Baseline value	Year 1	Year 2	Year 3	Year 4	Year 5	Baseline year	EOP value	Comments
Component 1. Improvements in service management and institutional strengthening											
P1.1	Micrometers installed	# of micrometers	0	3,371	16,588	6,839			2025	26,798	These are smart micrometers.
P1.2	Interventions to enhance the efficiency of the drinking water supply implemented	# of interventions	0			2			2025	2	The interventions are of two types: (1) rehabilitation of 26,798 existing household connections; and (2) automation and optimization of 44 water wells in Greater Mendoza.
P1.3	Drinking water treatment plants improved	# of plants	0				2		2025	2	Consists in optimizing and expanding drinking water treatment capacity in tourist areas.
P1.4	Complaint management and monitoring system developed and implemented	System	0			1			2025	1	This system enables JMS implementation and integration of the mobile application with AySAM's management systems, addressing complaint management challenges and crew coordination throughout AySAM's area of influence.
P1.5	AySAM's technology platform implemented and operating	Technology platform	0				1		2025	1	The technology platform known as SCADA enables the standardization of operation and management parameters in all AySAM plants under concession.
P1.6	Public awareness campaigns on efficient water use developed and implemented	# of campaigns	0		1	1	1	2	2025	5	The overall objective is to develop creative proposals and technical proposals aimed at educating, raising awareness, and promoting behavioral change among the general public in Mendoza regarding responsible water use, the urban water cycle, and the services provided by AySAM.
P1.7	Pilot plans for technological innovation implemented	# of plans	0				1	1	2025	2	Leak detection/arsenic/wells/non-revenue water
P1.8	Detailed engineering designs developed	# detailed engineering designs	0		1	2	1	1	2025	5	Detailed engineering designs for works

No.	Indicator	Data type (unit of measure)	Baseline value	Year 1	Year 2	Year 3	Year 4	Year 5	Baseline year	EOP value	Comments
Component 2. Infrastructure works											
P2.1	Campo Espejo – Las Heras – Mendoza wastewater treatment system rehabilitated and optimized	Treatment system	0				1		2025	1	
P2.2	El Paramillo wastewater treatment system rehabilitated and optimized	Treatment system	0					1	2025	1	
P2.3	Villa Tulumaya – Lavalle large-scale wastewater effluent collection and treatment system built	System	0				1		2025	1	
P2.4	Uspallata treatment facility expanded and optimized	Treatment facility	0					1	2025	1	

D. OTHER INDICATORS OF CROSSCUTTING THEMES

No.	Indicator	Data type (unit of measure)	Baseline (pre-intervention)		Execution					Evaluation scenario (post-intervention)		Component	Comments
			Value	Year	Year 1	Year 2	Year 3	Year 4	Year 5	Target	Year		
Output indicators													
T1	AySAM women's network for inclusive, resilient, and sustainable management of water resources implemented	Network	0	2025		1				1	2030	1	Exchange of experiences among women workers, identification of women workers' needs and development of policy recommendations, and raising the visibility of female role models.
T2	Inclusive institutional policy for persons with disabilities focusing on communications and accessibility designed and implemented	Policy	0	2025		1				1	2030	1	Diagnostic assessment, upgrading of communication channels, disability mapping of AySAM staff and their direct sphere of influence, training and awareness raising of AySAM staff on disability, rights, and accessibility
T3	Diagnostic assessment and action plan for small operators developed	# of plans	0	2026						1	2030	1	
T4	Climate resilience plan developed	# of plans	0	2026						1	2030	1	

Country: Argentina **Division:** INE/WSA **Operation No.:** AR-L1422 **Year:** 2026

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: Agua y Saneamiento Mendoza (AySAM) with the International Financing Unit (UFI) for financial management

Operation name: Program to Improve Water Security in the Province of Mendoza

Key execution considerations and fiduciary team requirements

<input type="checkbox"/>	<p>Composition of fiduciary team</p>	<p>AySAM will be responsible for technical execution and management of the procurement processes, while the UFI,¹ reporting to the Financing Division of the Ministry of Finance, will have financial management responsibility.</p> <p>AySAM's fiduciary team will be assembled from the institution's existing structure and be drawn from the Administration and Finance Division, the Procurement and Supplies Department, and the management control area. The technical areas will be responsible for determining technical requirements and supervising contracts.</p> <p>AySAM's procurement team consists of a head of procurement, four senior procurement officers, and one junior procurement officer. In view of the volume and complexity of the anticipated processes, the team is expected to include a procurement function as well as a technical function.</p> <p>The UFI has a financial team, composed of an administration and finance manager and two senior analysts and is expected to include an additional analyst.</p>
<input type="checkbox"/>	<p>Other issues</p>	<p>The Ministry of Finance and AySAM will sign an interagency agreement establishing the roles and responsibilities of each, including those of the UFI, as well as the operational and financial coordination arrangements required for program execution. These aspects will also be specified in the program Operating Regulations.</p>

¹ Created by Decree 810/2005.

I. FIDUCIARY CONTEXT

1. Province, country, and sector context

The program will be implemented within the jurisdiction of the Province of Mendoza, in an institutional context characterized by a regulatory and institutional framework governing the execution of public investment and the management of the province's financial resources.

In terms of procurement, based on the results of the MAPS diagnostic assessment conducted in December 2022, the Province of Mendoza has a procurement system with a medium to medium-high level of maturity, particularly in the area of goods and services procurement, with a clearly defined regulatory framework, procurement methods, and evaluation rules.

Under the applicable regulatory framework, public works carried out by AySAM are governed by provincial public works legislation, particularly Decree Law 4,416/80 and its Implementing Decree 313/81, and on a supplementary basis, by Law 9,003 on Administrative Procedures. However, in view of the legal nature of AySAM, where the Province of Mendoza holds a majority (90%) equity interest, this operation will be executed in accordance with the IDB procurement policies.

With regard to financial management, Mendoza's Law 8,706 on Financial Administration, in effect since 2015, governs the budget, accounting, treasury, and public credit systems, subjecting them to fiscal responsibility principles, internal control by the General Accounting Office, and external control by the Court of Accounts, and establishing general principles conducive to comprehensive, efficient, and transparent management of provincial public resources.

Accounting and financial administration is performed through the SIDICO information system. In view of this, the UFI will simultaneously use this system and the External Loan Execution Units (UEPEX) system, which can identify funding sources, record program investments by cost table component, and generate reports for disbursement requests and the preparation of financial statements.

Regarding external control, the Court of Accounts of the Province of Mendoza is a supreme audit institution validated for auditing Bank-financed programs. It is currently auditing program 4779/OC-AR, where it is performing its duties efficiently and submitting the program's financial statements in timely fashion.

2. Use of country systems in the operation

<input checked="" type="checkbox"/> Budget	<input checked="" type="checkbox"/> Reports	<input checked="" type="checkbox"/> Information systems	<input type="checkbox"/> National competitive bidding (NCB)
<input checked="" type="checkbox"/> Treasury	<input type="checkbox"/> Internal audit	<input type="checkbox"/> Shopping	<input type="checkbox"/> Other (system use at executing agency level was validated)
<input checked="" type="checkbox"/> Accounting	<input checked="" type="checkbox"/> External control	<input type="checkbox"/> Individual consultants	<input type="checkbox"/> Other

In the event of changes in any applicable agreements or conditions/standards during program implementation, the relevant procedures and formalities will be implemented.

3. Executing agency capacity and performance level

<p>Based on the envisaged execution mechanism, the ICAP tool was used to assess the institutional capacity of AySAM and the UFI, yielding satisfactory results for both institutions. However, increased demand stemming from new operations with the Bank and other funding agencies is expected to require reinforcing the fiduciary teams at both institutions.</p> <p>AySAM has a formally established institutional structure for technical and operational program management. It also has its own procurement system, which sets out applicable procedures based on procurement type and amount, defines authorization and control levels, and incorporates technical, legal, and budgetary support requirements throughout the procurement process.</p> <p>The UFI has experience in financial management of externally financed programs,² as well as staff with more than five years of experience in financial and accounting administration of operations financed by multilateral organizations.</p>
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4. Budget cycle and flow of funds

<p>Programming and budget</p>	<p>The Ministry of Finance is the executive branch body responsible for designing, formulating, and executing budgetary, financial, and tax policy for the province. In December 2025, Law 9,681 was enacted with the approval of the 2026 budget, focusing on fiscal sustainability and public investment.</p> <p>The General Directorate of the UFI submits the budgetary needs of the programs under its purview, including this program's needs, to the Treasury Division/Budget Office of the Ministry of Finance for consideration as part of the provincial budget, and will make the relevant payments and monitor execution of the program's budget.</p>
<p>Flow of funds</p>	<p>The program will operate through two dedicated accounts managed by the UFI: (i) an account in U.S. dollars at Banco de la Nación Argentina (BNA), to be used for receiving Bank disbursements, which will first pass through the account of the Banco Central de la República Argentina (Argentina's central bank); and (ii) an account in Argentine pesos at BNA, into which the currency conversions made from the account in dollars will be credited and from which the relevant payments will be made.</p> <p>The Bank will disburse the loan proceeds using advances of funds or other modalities established in the Financial Management Guidelines for IDB-financed Projects (OP-273-12). Advances will be made on the basis of a financial plan aligned with the program's liquidity needs. After the first advance, disbursements may be processed when at least 80% of the balance of previous advances has been substantiated.</p> <p>Planning and monitoring of procurement processes, as well as submission of disbursement requests, including expenditure justifications, will be done through the Client Portal.</p>

² 3780/OC-AR and 4312/OC-AR finalized and 4779/OC-AR in execution.

5. Risks affecting fiduciary function – Indicate risks that may have a fiduciary impact on the operation

Operational risk – institutional coordination	Medium-high	If the mechanisms for AySAM-UFI coordination regarding their technical and fiduciary responsibilities are not clearly defined, delays could ensue in payment management and reporting. This risk will be mitigated by the formalization of an interagency agreement, as well as by approval of the program Operating Regulations as conditions precedent to the first disbursement, which will establish duties, responsibilities, procedures, and internal workflows.
Operational risk – institutional capacity	Medium-high	If the AYSAM execution unit is simultaneously faced with a large number of complex procurement processes (mainly for works), evaluation delays could ensue, affecting implementation of the procurement plan. This risk will be mitigated by bringing additional staff into the procurement area and through early and periodic training in procurement and contract management.
Operational risk - planning	Medium-high	If procurement processes for large-value works with significant technical scope do not attract sufficient competition, this could result in failed bidding processes, cost overruns, or the need to relaunch these processes, affecting the program’s schedule and value for money. This risk will be mitigated through proper planning and early notification of processes.

II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

Special conditions precedent to the first disbursement	<p>The Ministry of Finance and AySAM will sign a specific agreement clearly setting out the roles and responsibilities of AySAM and the UFI, the required coordination arrangements for procurement management, and the financial considerations, as well as the mechanisms for reporting to the Bank.</p> <p>In addition, program Operating Regulations will be furnished and will include the information, validation, and reporting flows.</p>
Exchange rate	<p>For the purposes of Article 4.10 of the General Conditions, the exchange rate to be used will be the rate stipulated in Article 4.10(b)(i), which is the exchange rate in effect on the date of conversion of the disbursement currency to the country’s local currency. For the purpose of determining the equivalency of expenditures incurred in local currency chargeable against the local contribution, or the reimbursement of expenditures chargeable against the loan, the exchange rate will be the rate in effect on the first working day of the month in which the borrower, the executing agency, or any other person or corporation with delegated authority to incur expenditures</p>

	makes the respective payments to the contractor, vendor, or beneficiary.
Type of external audit	The executing agency will furnish audited financial statements in accordance with the Bank's requirements within 120 days following the end of each fiscal year. Final audited financial statements will be furnished within 120 days following the date of the last disbursement. The program's external audit will be performed by the Province of Mendoza Court of Accounts or, on an exceptional basis, by an independent audit firm acceptable to the Bank.

III. KEY PROCUREMENT CONSIDERATIONS

<input checked="" type="checkbox"/>	Documents for national processes	For procurement subject to NCB and shopping and for contracting of national consulting firms, agreed-upon bidding documents will be used, as established in the Bank's procurement policies.
<input type="checkbox"/>	Advance procurement Retroactive financing	The use of retroactive financing is anticipated for the following procurement processes: (1) intervention on 44 groundwater pumping facilities distributed throughout Greater Mendoza; and (2) provision and installation of soft starters, RTU telemetry systems, monitoring and control infrastructure, chlorine analyzers, and monitoring and alarm systems to reinforce security at 44 groundwater pumping facilities distributed throughout Greater Mendoza, for an estimated total amount of US\$2,997,581.66, which is approximately equivalent to 2.0% of the total amount of the operation (US\$150,000,000). In accordance with paragraph 2.12 of the Policies for the Procurement of Goods and Works Financed by the IDB (GN-2349-15), these expenditures will be incurred under conditions substantially similar to those established in the loan contract, and the procurement procedures shall be consistent with the Bank's core procurement principles. Expenditures incurred more than 18 months prior to the loan approval date will not be included. These processes will be carried out solely at the risk of the executing agency.

IV. PROCUREMENT STRATEGY INITIAL INPUTS

Key procurements

Component	Description	Procurement method	Estimated start date	Amount (US\$)	Reasons for being key
Component 1 AR-L1422-P00005	Technological innovation actions (pilot tests, non-revenue water, nondestructive methods)	QCBS	10/31/2026	2	Key consultancy for validating innovative solutions that impact service efficiency and sustainability; highly dependent on technical quality.
Component 2 AR-L1422-P00009	Micrometering and comprehensive rehabilitation of household water connections	NCB	04/30/2026	18	One of the program's largest-value procurement processes; direct impact on loss reduction and program outcomes.
Component 2 AR-L1422-P00010	Rehabilitation of the Campo Espejo wastewater treatment system	ICB	07/31/2026	42.2	The program's most financially significant procurement process; contract complexity.
Component 2 AR-L1422-P00014	Villa Tulumaya – Lavalle large-scale wastewater effluent collection and treatment system	NCB	07/31/2026	18.8	Comprehensive infrastructure with high regional impact and long implementation timeline.

<input type="checkbox"/>	Initial procurement strategy	The procurement strategy adopts an approach based on the total amount of the operation, the technical complexity of the investments, and the anticipated volume of approximately 20 procurement processes throughout the operation. The processes will be competitive, with open evaluation criteria based on technical specifications and terms of reference, in line with AySAM's past practice and the requirements of the Bank's procurement policies. To mitigate the risk of potential delays in carrying out bidding processes, the strategy envisages preparing the bidding documents in advance in the case of key procurements for the operation.
<input checked="" type="checkbox"/>	Necessary activities for proper implementation	Implementing this strategy will require Bank support and training for the executing agency, AySAM, including training in the Bank's procurement policies and in contract management under FIDIC standards in view of the scale and complexity of the envisaged works. In addition, for key and critical procurements there will be periodic and tailored fiduciary monitoring based on the risk level of each process and the total amount of the operation, so as to ensure compliance with the applicable policies and efficient program implementation. If deemed more efficient, bidding processes may be launched subject to loan approval in keeping with the implementation arrangements for the operation, using Bank documents or documents previously reviewed and agreed-upon by the Bank. Contract awards under such processes will be considered effective if, and only if, the loan is approved.

To view the procurement plan, click on this [link](#).

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/26

Argentina. Conditional Credit Line for Investment Projects (CCLIP) Program to
Contribute to Improved Water Security in Argentine Provinces (AR-O0034)

The Board of Executive Directors

RESOLVES:

1. To authorize the President of the Bank, or such representative as he shall designate, to enter into such agreement or agreements as may be necessary with the Argentine Republic, to establish the Conditional Credit Line for Investment Projects (CCLIP) Program to Contribute to Improved Water Security in Argentine Provinces (AR-O0034) (the "Credit Line") for an amount of up to US\$1,000,000,000, chargeable to the resources of the Ordinary Capital of the Bank.

2. To establish that the resources allocated to the Credit Line shall be used to finance individual operations under the Credit Line, in accordance with: (a) the objectives and regulations of the Conditional Credit Line for Investment Projects approved by Resolution DE-58/03, as amended by Resolutions DE-10/07, DE-164/07, DE-86/16 and DE-98/19; (b) the provisions set forth in documents GN-2564-3 and GN-2246-13; and (c) the terms and conditions included in the proposal for the corresponding individual operation.

(Adopted on ___ _____ 2026)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/26

Argentina. Loan ____/OC-AR to the Province of Mendoza. Program to Improve Water Security in the Province of Mendoza. First Individual Operation under the Conditional Credit Line for Investment Projects (CCLIP) Program to Contribute to Improved Water Security in Argentine Provinces (AR-O0034)

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Province of Mendoza, as borrower, and with the Argentine Republic, as guarantor, for the purpose of granting the former a financing aimed at cooperating in the execution of the Program to Improve Water Security in the Province of Mendoza, which constitutes the first individual operation under the Conditional Credit Line for Investment Projects (CCLIP) Program to Contribute to Improved Water Security in Argentine Provinces (AR-O0034) approved on _____ 2026 by Resolution DE-___/26. Such financing will be for an amount of up to US\$150,000,000, from the Ordinary Capital resources of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ____ _____ 2026)