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ARGENTINA

**MULTISECTOR PREINVESTMENT PROGRAM IV
(AR-L1149)**

**SECOND INDIVIDUAL OPERATION UNDER THE CONDITIONAL
CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP)
(AR-X1008)**

LOAN PROPOSAL

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ELECTRONIC LINKS	
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1. Annual work plan	IDBDocs37044249
2. Monitoring and evaluation plan	IDBDocs37043657
3. Procurement plan	IDBDocs37043673
Optional	
1. Economic analysis	IDBDocs37120093
2. Portfolio of projects	IDBDocs37043639
3. Evaluation of Preinvestment Program III	IDBDocs37043743
4. Operating Regulations	IDBDocs37043677
5. Safeguard Screening Form for classification of projects (SSF)	IDBDocs37043711

ABBREVIATIONS

ACSA	Área Común de Servicios Administrativos [Common Administrative Services Section]
AGN	Auditoría General de la Nación [Office of the National Auditor General]
CCLIP	Conditional credit line for investment projects
DINAPREI	Dirección Nacional de Preinversión [National Preinvestment Directorate]
GDP	Gross domestic product
IRR	Internal rate of return
LIBOR	London Interbank Offered Rate
PMP-III	DINAPREI's project management system
SEPA	Procurement Plan Execution System
SNIP	Sistema Nacional de Inversión Pública [National Public Investment System]
SPEPD	Secretaría de Política Económica y Planificación de Desarrollo [Economic Policy and Development Planning Secretariat]
TORs	Terms of reference
UEPEX	Sistema de Administración Financiera para las unidades ejecutoras de proyectos con financiamiento externo [Financial management system for the executing units of externally financed projects]
UNPRE	Unidad de Preinversión [Preinvestment Unit]

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Financial Terms and Conditions				
Borrower: Argentine Republic			Flexible Financing Facility (FFF)*	
			Amortization period:	25 years
Executing agency: Economic Policy and Development Planning Secretariat (SPEPD) of the Ministry of Economic Affairs and Finance, through the National Preinvestment Directorate (DINAPREI).			Original weighted average life:	15.25 years
			Grace period:	5.5 years
			Disbursement period:	4 years
Source	Amount (US\$)	%	Inspection and supervision fee:	**
IDB (Ordinary Capital)	20 million	80	Interest rate:	LIBOR-based
Local	5 million	20	Credit fee:	**
Total	25 million	100	Currency:	U.S. dollars from the Ordinary Capital
Project at a Glance				
Objective. The objective is to help increase public investment, particularly by the subnational governments, through: (i) creation of a portfolio of feasible investment projects ready for execution; (ii) improvement of the preinvestment cycle; and (iii) reduction in the time taken to prepare studies.				
Special contractual conditions: As special conditions precedent to the first disbursement, the executing agency will: (i) present evidence that the Operating Regulations have been placed in effect (paragraph 3.6); (ii) present evidence that the financial management system for the executing units of externally financed projects (UEPEX) has been started up for the present operation (paragraph 2.4); and (iii) appoint a general coordinator in DINAPREI to run the program and ensure efficient execution (paragraph 3.1).				
Exceptions to Bank policies: None.				
Project consistent with country strategy:		Yes [X]	No []	
Project qualifies as:		SEQ []	PTI []	Sector [] Geographic [] Headcount []

* Under the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, and currency and interest rate conversions. When considering such requests, the Bank will take into account operational and risk-management considerations.

** The credit fee and 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 the applicable provisions of the Bank's policy on lending rate methodology for Ordinary Capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

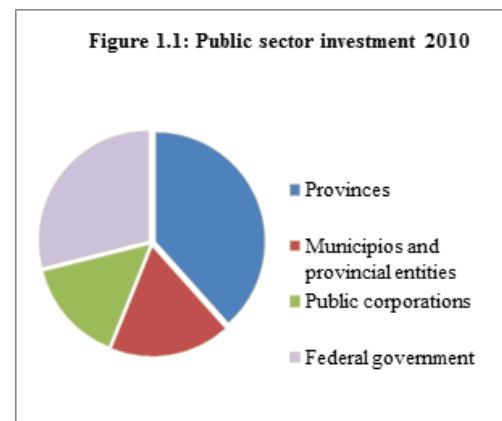
- 1.1 The Argentine economy has posted uninterrupted growth since 2003. GDP grew on average by 8.4% a year in the period 2003-2008, accompanied by growth in investments, a fall in unemployment, and an improvement in the external accounts. This allowed the country to weather the economic slowdown in 2009, when GDP grew by 0.9%, and return to higher growth in 2010.¹
- 1.2 One pillar of the government's economic policy was continued growth of public sector investment, which grew by 420% in constant pesos between 2003 and 2010 and tripled its share of GDP, rising from 0.93% to 3.22%. In the same period, gross fixed domestic investment grew more slowly (163% in constant pesos) with its share of GDP rising from 14.32% to 22.84% (see Table 1.1).

Table 1.1. Evolution of investment
(In millions of constant 1993 Argentine pesos and as a percentage of GDP)

Category	2003	2004	2005	2006	2007	2008	2009	2010
Public sector investment	\$2,391	\$3,895	\$5,772	\$7,500	\$9,198	\$10,934	\$12,680	\$13,587
	0.93%	1.40%	1.89%	2.27%	2.56%	2.85%	3.28%	3.22%
Gross fixed domestic investment	\$36,659	\$49,280	\$60,458	\$71,438	\$81,187	\$88,553	\$79,527	\$96,409
	14.32%	17.65%	19.84%	21.61%	22.60%	23.09%	20.57%	22.84%

Source: National Public Investment Plan 2012-2014.

- 1.3 In 2009, when private investment dropped by 14% leading to a fall in gross fixed domestic investment, public sector investment posted growth of 16% in constant pesos, acting countercyclically. The following year these variables recovered.
- 1.4 In 2010, public investment was mainly financed with federal resources (73%) but just 29% was executed by the federal government. The rest was executed by the provincial governments (38%), municipios and provincial entities (18%), and public corporations (15%) (see Figure 1.1). The share of public corporations and municipios has grown in recent years, positioning them as new players in public investment.



¹ Source: National Statistics and Census Bureau (INDEC), Ministry of Economic Affairs, National Accounts Directorate.

- 1.5 The National Public Investment System (SNIP) provides a methodological framework for formulating and evaluating investment projects and requires and oversees compliance with certain standards when they are executed at the national level. Although no empirical evidence is available, estimates suggest that the SNIP helped to improve returns on public investment by requiring minimum returns for projects and increasing their efficiency by permitting investments (and their benefits) to be anticipated as a result of the creation of a bank of investment projects ready for execution. The provinces and the municipios have their own investment systems and, although many of them are similar to the country system, their quality and development is uneven and hence they are thought to be less efficient than the SNIP.
- 1.6 To ensure an adequate flow of feasible investment projects, the Bank has been offering uninterrupted support for the preinvestment process since 1993, and since 2007 that support has been provided under the framework of a conditional credit line for investment projects (CCLIP) (AR-X1008),² whose first tranche, known as Multisector Preinvestment Program III (loan 1896/OC-AR), is in the final stages of execution. To date, the program has disbursed 98% of total financing and completed 240 preinvestment studies mainly targeted to the subnational levels of government. The beneficiaries of 16% of the studies were national agencies, 28% were provincial, and 56% were municipios.
- 1.7 The main achievements of the first tranche of the CCLIP include: (i) providing a portfolio of feasible³ public investment projects ready for execution⁴ for national, provincial, and municipal institutions, for US\$1.23 million, which as of 26 August 2012 had permitted those institutions to execute investments on the order of US\$538 million,⁵ 73% of which were provincial, 22% municipal, and 5% national; and (ii) improving the institutional framework by consolidating the former Preinvestment Unit (UNPRE) and transforming it into the National Preinvestment Directorate (DINAPREI) in 2010, under the Economic Policy Secretariat.
- 1.8 The midterm program evaluation underscored: (i) fulfillment of the targets; (ii) excellent acceptance by the beneficiaries, confirming that the projects financed are aligned with the country's economic and policy guidelines; (iii) satisfactory appropriation by local stakeholders and the creation of synergies by working as a team with DINAPREI; (iv) continuity of specific studies that were able to promote investment, by improving the returns on public investment; and (v) high permeability which has allowed most support to go to local government institutions (the complete study is attached as [optional electronic link 2](#)).

² The preinvestment CCLIP was authorized for US\$60 million.

³ Demonstrated technical, environmental, and economic feasibility.

⁴ Projects with technical specifications and/or final designs that allow works, equipment, and services to be contracted.

⁵ Nominal dollars, exchange rate of 4.5 pesos to US\$1 (15 June 2012).

1.9 **Problem addressed and rationale.** One of the main challenges facing the Argentine government continues to be sustained economic growth. It therefore needs to increase public investment, particularly at the subnational levels, consistent with the decentralization policy it is carrying out, and select investments with high economic and social returns (see paragraph 1.15). Analyses of other projects show that when sufficient numbers of properly conducted studies are available, delays in project execution are avoided and the expected benefits can be anticipated.⁶

1.10 To increase the flow of investments, mainly in the provinces and municipios, the following difficulties, among others, should be borne in mind: (i) The shortage of investment projects ready for execution that could obtain financing from the national government if the necessary studies were available. This situation is caused by the lack of funds to finance studies and limited technical and institutional capacity, particularly on the subnational level, for project formulation. (ii) Limited progress by studies to the more advanced levels of the preinvestment cycle (see Table 1.2). To obtain an adequate flow of projects ready for execution, the preinvestment cycle needs to be improved by seeing that the studies advance to the higher levels. (iii) There have been major delays in the time taken to produce studies. For example, the studies conducted under loan 1896/OC-AR took an average of 142 days longer (including administrative processing) than the times established in the terms of reference (TORs). (iv) The lack of provincial and municipal alternatives to Bank funding, which continues to be a prime source of preinvestment financing.

Strategic plans whose execution was begun	70%
Prefeasibility studies that advanced to the feasibility stage	6%
Feasibility studies that advanced to the final design stage	4%
Final design studies that advanced as investments	10%

Source: DINAPREI, information as of 26/08/2012.

1.11 The rationale for the proposed project is based on the benefits expected from the quality of the analysis performed prior to executing an investment, covering all stages of the project cycle. This has motivated the Argentine government to continue the actions being carried out with Bank support. In compliance with the requirements for financing the second operation under the CCLIP: (i) the executing agency will be the same as for the previous project and it is an integral and sustainable part of the institution that administers the sector; its performance has improved, and it will continue to operate the monitoring and evaluation system; (ii) in the first tranche of the CCLIP, performance in terms of execution was satisfactory given that over 90% of the resources were disbursed and the development objectives are expected to be attained; and (iii) it was verified that the

⁶ Operation EC-L1084 (document by Jaime Calles) indicates that 40% of delays in the execution of transportation investment projects could be reduced if adequate preinvestment studies were available in due time and proper form.

executing agency complied to the Bank's satisfaction with the program eligibility criteria and the audited financial statements did not present reservations.

- 1.12 **Progress made and lessons learned.** As with the first tranche of the CCLIP, where progress was made in institutional and operational processes that sped the pace of execution and satisfactorily attained the proposed targets, the second tranche is expected to strengthen aspects related to program evaluability. Ex post evaluation mechanisms will be fortified, and a methodology will be designed to compile data, construct a system of indicators, and define an appropriate horizon for ex post evaluation. It was also agreed to move forward in evaluating the actions carried out under Component II, which promoted the creation of technical standards and systems for monitoring fulfillment of objectives and performance targets.
- 1.13 Experience in executing the previous stage recommends the following for the proposed operation: (i) make the counterpart requirements more flexible for smaller municipios; (ii) develop a communication strategy to incorporate universities and other institutions in the interior into the consultants' roster; (iii) improve the sector knowledge of the team of analysts and promote interrelations between localities and provinces and with national organizations that could facilitate financing; (iv) include mechanisms to facilitate purging the portfolio that does not show progress after a certain period; and (v) build the institutional capacity of DINAPREI to improve the execution of studies and results monitoring.
- 1.14 The objective of the program is consistent with the updated country strategy with Argentina (document GN-2570), which identifies institutional strengthening for better governance and fiscal sustainability as a priority area for Bank action. The operation is aligned with the strategy given that it will finance preinvestment studies in areas flagged as priorities in the strategy. The results of the operation are directly related to the targets of the Bank's Ninth General Capital Increase (GCI-9) (document AB-2764) with respect to strengthening and supporting the subnational governments that will be program beneficiaries.

B. Objectives, components, and cost

- 1.15 The objective of the program is to help increase public investment, particularly by the subnational governments, through: (i) creation of a portfolio of feasible investment projects ready for execution; (ii) improvement of the preinvestment cycle; and (iii) reduction in the time taken to prepare studies. The proposed operation is consistent with the general objective of the credit line which is to work with the Argentine government toward improving the allocation of public investment in order to support the country's economic and social development, in harmony with national strategies and priorities.
- 1.16 The expected benefits come mainly from the opportunity it provides the beneficiaries to obtain preinvestment studies so they can gain access to investment funds. In their absence, large investments could be postponed and/or of lesser quality. This second tranche of the CCLIP could generate during the loan execution

period a portfolio of projects ready for execution on the order of US\$2.35 million and achieve actual financing of public investments of US\$657 million.⁷

- 1.17 The program is divided into the three components described below (full details and descriptions of each component can be consulted in the [Operating Regulations](#)).
- 1.18 **Component 1. Preparation of preinvestment studies (US\$20.86 million).** This will finance preinvestment studies on the national, provincial, and municipal levels that are in line with the main strategies and priority areas agreed on with the national authorities and that facilitate project identification and prioritization, allowing decisions to be made regarding the timing and advisability of investments.⁸ This component will finance consulting services and technical assistance in the following categories: (i) specific prefeasibility and feasibility studies and final designs; and (ii) general studies, including strategic plans, sector and regional studies, master plans, and local, competitive, and productive development plans. The eligibility and prioritization criteria are discussed in paragraphs 2.11 and 2.12.
- 1.19 **Component 2. Project management and evaluation (US\$1.7 million).** This will support the beneficiaries in identifying project ideas,⁹ managing preinvestment studies, and monitoring and evaluating those studies. Consulting and technical assistance services will be financed for: (i) identification of regional and sector needs through regional and sector roundtables; (ii) preparation of TORs; (iii) monitoring and evaluating implementation of the preinvestment studies; (iv) ex post impact evaluation of some of the investment studies; and (v) workshops to support the securing of financing for the proposed investment.¹⁰
- 1.20 **Component 3. Development of project cycle managerial capacity and dissemination of the program on the local level (US\$1.2 million).** This will: (i) finance the development of professionals in the beneficiary institutions and local professionals to provide quality consulting services on the local level; and (ii) disseminate the program and develop a culture of prioritization of strategic projects. This component will finance consulting services and training in the context of a regional training plan (prepared by DINAPREI, including modules on project cycle management, ex post evaluation, and presentation of requests for financing) for: (i) provincial and local training workshops; (ii) courses and seminars to exchange national and international experience; and (iii) courses in project formulation, analysis, and evaluation, and dissemination of the program among national, provincial, and municipal institutions.

⁷ Nominal dollars at an exchange rate of 4.5 pesos to US\$1 (15 June 2012).

⁸ The preinvestment studies financed by the proposed program are approved by the technical committee (see paragraph 3.2). It is estimated that a total of 170 institutions will benefit from the studies.

⁹ The support will be based on demand by the beneficiaries.

¹⁰ Actions to help obtain financing for works, goods, and services proposed by the preinvestment studies.

- 1.21 **Administration and supervision (US\$1.24 million).** This includes DINAPREI’s operating, equipment, and managerial costs; specific consulting services; external audits; and consulting services for the evaluations.

Table 1.3. Program cost and financing (in US\$ thousands)

Investment category/component	Cost		Total	%
	Bank	Local		
1. Preparation of preinvestment studies	18,360	2,500	20,860	83
2. Support for study management and evaluation	700	1,000	1,700	7
3. Capacity-building for project cycle management and local dissemination	700	500	1,200	5
4. Administration and supervision	240	1,000	1,240	5
Total	20,000	5,000	25,000	100
Breakdown of the financing	80%	20%	100%	

- 1.22 The borrower will be the Argentine Republic, and the loan will come from the Bank’s Ordinary Capital. The program is the second individual operation under the CCLIP for a total of US\$25 million, with US\$20 million in Bank financing and US\$5 million from the local counterpart (see Table 1.3).

C. Key Results Matrix indicators

- 1.23 Program impact will be measured by the investments made in each jurisdiction as a result of program-financed preinvestment studies. The outcome indicators include: (i) the amount of the portfolio of projects ready for execution stemming from the program’s feasibility studies and final designs; (ii) the percentage of program studies that advance to the next level in the preinvestment cycle; and (iii) delays in the execution of studies. The indicators, and their baselines and targets, are outlined in the Results Matrix (see [Annex II](#)).

II. FINANCING STRUCTURE AND RISKS

A. Financing instruments

- 2.1 **Program resources and disbursement schedule.** This program is the second individual operation under the CCLIP. It will cost a total of US\$25 million, 80% of which will be financed by the Bank from the Ordinary Capital, with the remaining 20% coming from the local counterpart. The execution period is four years after the loan contract takes effect. The disbursement schedule is presented below (see Table 2.1).

Table 2.1. Disbursement schedule (US\$ millions)

Source of financing/year	1	2	3	4	TOTAL
IDB	5.868	4.823	4.025	5.284	20
Local	1.181	1.234	1.275	1.310	5
Annual total	7.049	6.057	5.300	6.594	25
%	28.2	24.2	21.2	26.4	100

B. Environmental and social risks and safeguards

2.2 No environmental or social risks are associated with the activities proposed in this program, which has been classified as a category “C” operation under the Bank’s environmental and social safeguard guidelines.

C. Fiduciary considerations

2.3 DINAPREI, the program executing agency, was created in 2010 to replace the Preinvestment Unit (UNPRE) as a public institution,¹¹ with technical and administrative independence and the authority to coordinate, execute, and certify preinvestment processes and preinvestment studies carried out by public sector entities and Argentine joint public and private entities, particularly in strategic sectors. DINAPREI has a structure that meets the Bank’s requirements and has the resources and capacity to support administration of the studies conducted with the beneficiaries.

2.4 **Financial management.** The loan proceeds may be disbursed in the form of advances, reimbursements, and/or direct payments.¹² For advances, disbursements will be based on a 180-day financial plan.¹³ The system for the executing units of externally financed projects (UEPEX) will be used, which will make financial management more efficient and effective. **As a special condition precedent to the first disbursement, the executing agency will submit evidence that the UEPEX system for this operation has been started up.**

2.5 **Procurement.** The procurement plan will be managed through an online system known as the Procurement Plan Execution System (SEPA).

2.6 Works and goods will be procured and consulting services contracted in accordance with the Policies for the procurement of goods and works financed by the Inter-American Development Bank (document GN-2349-9), the Policies for the selection and contracting of consultants financed by the Inter-American Development Bank (document GN-2350-9), both of March 2011, and with the requirements established in the loan contract and the fiduciary agreements and requirements (Annex III).

¹¹ UNPRE was the original executing unit for loan 1896/OC-AR. When DINAPREI was created, it became the executing unit.

¹² IDB Disbursement Guidelines. III. Disbursement Methods (pages 1 and 2).

¹³ For Bank financing—all the costs/expenses estimated for each investment category, month-by-month, corresponding to the period covered by the disbursement request. For local counterpart and other sources—the resources that they will contribute to the project for that same period (total per investment category).

2.7 **Advance procurement and retroactive financing.** No expenses will be charged against retroactive financing or recognition from the local counterpart contribution.

D. Other special considerations and risks

2.8 **Program risks.** The main risks were identified during program identification and analysis. Three were considered to be medium and one high. A breakdown of the analysis is described in the [risk matrix](#). The most significant risk is linked to a potential suspension of disbursements owing to delays in presenting the audited financial statements. That risk materialized during execution of loan 1896/OC-AR. To mitigate it, it was agreed with the borrower to establish fiduciary rules and procedures for the parties involved and to create mechanisms for coordination between the executing agency and the Office of the National Auditor General (AGN).¹⁴ Three medium risks were identified: (i) coordination difficulties between the executing agency and the beneficiaries; (ii) insufficient supply of consultants by region and by specialty; and (iii) limited availability of investment resources, affecting the number of studies and projects financed in the preinvestment stage that turn into actual investments. The operation was designed to include measures to mitigate these risks.

2.9 **Technical considerations.** The preliminary portfolio available includes the studies already authorized by the technical committee, whose execution has not yet begun owing to the lack of funds available in the current loan, and new demand received by DINAPREI. The portfolio contains 52 projects that will require an estimated investment of US\$6.5 million or 32.5% of the new loan. These studies have complete TORs, allowing tendering processes to begin.

2.10 The projects in the portfolio are varied in the level of government that initiated them, their territorial coverage, and the type of study and sector. About 51% of the portfolio resources will be used for studies on the municipal level, 35% for studies on the provincial level, and 14% on the national level. More than half of the studies authorized by the technical committee are in central and northwestern Argentina, which is consistent with the Bank's new country strategy. Specific studies (prefeasibility, feasibility, or final design) account for 65% of the portfolio, and the program particularly seeks to finance studies in the more advanced stages of the project cycle. The studies deal with hydraulic infrastructure and water management, transportation, tourism, etc., making it a multisector program.

2.11 **Eligibility criteria.** The projects must be aligned with national priorities. Specifically, they should be related to national strategic sector plans and regional integration hubs. In addition, infrastructure studies must demonstrate how each project meshes with existing highway, rail, energy, water, and productive systems.

2.12 **Prioritization criteria.** Periodically, DINAPREI will carry out program dissemination and awareness activities among the beneficiary entities. The projects

¹⁴ The agreement between the Ministry of Economic Affairs, the Cabinet Office, and the AGN commits to making preparation of the program's audited financial statements a priority.

- will be prioritized in function of being: (i) projects in a more advanced stage of the preinvestment cycle, such as the feasibility and/or final design stages; (ii) projects with final designs that already have identified sources of financing; (iii) projects that require regional representation of municipios; and (iv) projects with good positive externalities that have a large regional impact.
- 2.13 **Economic analysis.** For the ex ante economic analysis (applying the cost-benefit methodology), the expected benefits from the planned investments are compared to an alternative hypothetical scenario (situation without the project). In the latter scenario, without appropriate preinvestment studies, the expected final outcome (execution of projects and their consequent impacts in terms of benefits) would not be fully transferred to society (or would be delayed or suboptimal compared to the situation with the project). Based on these assumptions, the indicators gave a net present value (NPV) of US\$7.5 million with an internal rate of return (IRR) of 28.2% (see optional link 1, [Economic analysis](#)).
- 2.14 The analysis of the sensitivity of the flows of costs and benefits complements the economic analysis, on the assumption that contextual conditions or their management place constraints on the fulfillment of expectations. Assuming that the cost-efficiency ratio does not provide better management compared to the situation without the project,¹⁵ the IRR would be 23.5%. In parallel, if financing constraints reduced the resources available for future execution of the projects resulting from the studies by 30%, the IRR would fall to 22.4%. Lastly, in the event of delays in preinvestment activities (inefficient management) that postpone execution of the undertakings by one year compared to the anticipated times, the IRR falls to 15.9%. These results back the reasonableness of the investments proposed for this program.
- 2.15 **Financial and institutional feasibility.** DINAPREI has no significant institutional, technical, or financial weaknesses. Its human resources are well qualified, and it has the necessary experience to administer the operation with subnational subexecuting agencies. The beneficiaries also have the capacity to execute the activities for which they will be responsible.¹⁶ The analysis of existing financial resources and projections indicate that program execution and the counterpart contribution are feasible, since the counterpart will come from the federal government and the participating provinces and municipios. The subsidiary agreements will be binding instruments that will spell out the local contribution commitments.

III. IMPLEMENTATION AND ACTION PLAN

A. Summary of execution mechanism

- 3.1 The borrower will be the Argentine Republic. The Economic Policy and Development Planning Secretariat (SPEPD) will be the executing agency through

¹⁵ Measured by the cost ratio of preinvestment studies/resulting executable investments.

¹⁶ The satisfactory results of the audits and technical and fiduciary assessments performed during execution of loan 1896/OC-AR and the institutional assessment confirm the good capacity of the executing agencies.

- DINAPREI, which will coordinate and administer the program. **The appointment of a general coordinator in DINAPREI to run the program and ensure efficient execution will be a special condition precedent to the first disbursement.**
- 3.2 As part of the execution mechanism, a technical committee will be responsible for evaluating and subsequently approving or rejecting all the study initiatives that are candidates for program financing, verifying the pertinence of the request. The initiatives presented by DINAPREI to the technical committee for consideration will be studied taking account of the procedures and amounts established in the Operating Regulations. The committee will be comprised of the following officials from SPEPD: (i) the secretary or his/her delegate, who will chair it; (ii) the national directors of public investment, projects with international lending agencies, macroeconomic policy, and regional development; and (iii) the national director of DINAPREI who will act as the committee's secretary.¹⁷
- 3.3 As program executing unit, DINAPREI will be responsible for coordinating and executing the different actions and interventions and for promoting communication and integration among the different institutions involved in the program. It will act as direct interlocutor with the Bank. It will also be responsible for financial and accounting management. DINAPREI's main functions include: (i) planning program investments and coordinating budgets with the beneficiaries; (ii) evaluating the studies; (iii) developing the management and accounting systems necessary for physical and financial support; (iv) providing technical and financial control and preparing the respective status reports; (v) monitoring bidding processes and purchases of goods and services; (vi) overseeing the quality of the studies; (vii) controlling accounting and files, presenting disbursement requests and rendering of accounts; (viii) overseeing and coordinating compliance with the clauses established in the loan contract; (ix) monitoring and evaluating the results and the targets and indicators in the Results Matrix; (x) preparing and monitoring the annual work plans; (xi) preparing and supervising the TORs for contracting individual consultants and consulting firms; (xii) reviewing all pertinent technical and administrative documents relating to bidding and contracting processes; and (xiii) preparing other reports required by the Bank.
- 3.4 The Economic Policy and Development Planning Secretariat has a Common Administrative Services Section (ACSA). The administrative services required by DINAPREI will be provided by ACSA, which will keep the accounting, financial, and administrative records, including management, procurement of goods and services and making payments, obtaining supporting documents for transactions and keeping them on file, and preparing disbursement requests for the Bank and the annual financial statements. Payments for services to be contracted/acquired by the beneficiaries will also be centralized in ACSA.

¹⁷ The technical committee has been active during the execution of loan 1896/OC-AR and has made it possible to coordinate the work of DINAPREI with the priorities by SPEPD, the Ministry of Economic Affairs, and the Cabinet Office.

- 3.5 The selection and contracting of consultants in connection with the financing for studies and activities agreed upon with the beneficiaries will be the responsibility of those beneficiaries, as was the case in earlier programs with the Bank, with the responsibilities defined in the subsidiary agreements. The processes will continue to be supervised by DINAPREI and then sent to ACSA for recording and payment.
- 3.6 Execution will be governed by the Operating Regulations, which include: (i) selection criteria for the studies; (ii) requirements for the presentation of financing requests; (iii) method for selecting and contracting consulting services; (iv) use of resources; (v) financial management method; (vi) the execution period; and (vii) definition of the features of program monitoring and control. **Submission of evidence that the Operating Regulations have been placed in effect by the executing agency will be a special condition precedent to the first disbursement.**
- 3.7 Bank supervision of this operation will be performed by the Fiscal and Municipal Management Division (FMM), supported by the Bank's Country Office in Argentina, as necessary.
- 3.8 **Audits.** During execution, DINAPREI will present the program's audited financial statements each year as required by Bank policies. It was agreed with the executing agency that the AGN will perform the external audits of the program. The audited financial statements will be submitted within 120 days after the end of the fiscal year. The auditors' program close-out reports will be presented within 120 after the last disbursement.
- B. Summary of monitoring and evaluation arrangements**
- 3.9 DINAPREI has developed a monitoring system that will be strengthened to produce detailed information and general summaries by output. The system will allow for definition of output and outcome indicators for the project and the associated targets for each period. So far, the system covers monitoring of the physical targets but work will be done to integrate it with the UEPEX system to bring it into line with financial execution of the outputs. For monitoring the fiduciary aspects, the executing unit will continue to use the country systems already implemented in previous stages, which are satisfactory to the Bank.¹⁸ All project transactions will be made using the UEPEX online system. The required financial reports are: (i) financial execution plan for 90 days after requests for advances; (ii) audited annual financial statements; and (iii) other reports required by the Bank. Procurement monitoring will be based on SEPA, which has already been implemented.
- 3.10 The program will be monitored through the following instruments: results matrix, progress monitoring report, multiyear execution plan, annual work plans, semiannual status reports, and the plan for monitoring in the field. They will be

¹⁸ Use of country systems refers to the UEPEX financial system, the consultants' roster, and DINAPREI's project management system (PMP-III).

- complemented with periodic updating of the risk mitigation matrix. Program resources will be used by DINAPREI to improve the system for monitoring studies.
- 3.11 The midterm and final review constitute key milestones in the monitoring system. The executing unit will prepare and submit to the Bank a midterm status report 90 days after 50% of the loan proceeds have been disbursed or 24 months after execution begins, whichever comes first. It will also send a final report to the Bank that will serve as input for the Project Completion Report (PCR) 90 days after 90% of the loan proceeds have been disbursed. These reports will include a detailed analysis of: (i) the results of financial execution by component; (ii) fulfillment of the physical and financial targets for outputs and progress in the outcome and impact indicators, based on the targets established in the Results Matrix, identifying the reasons for major deviations and potential actions for remedying them; (iii) compliance with the contractual clauses; (iv) a summary of the results of all the audits performed during the program; and (v) the main lessons learned. Once these two reports have been accepted by the Bank, they will be made available to the public on the websites of DINAPREI and the Bank.
- 3.12 **Evaluation.** An external impact analysis will be performed making a quantitative analysis of the program indicators, particularly its impact on the amount of public investment by the three levels of government as a result of the preinvestment studies financed by the program. The expected results and impacts are established in the Results Matrix ([Annex II](#)), the main indicators of which were agreed on during project preparation, including methods and means of verification. The evaluation will also include an ex post economic evaluation of the program to be based on the economic assessment methodology used to analyze program feasibility. The evaluation will determine primarily whether the benefits identified during program preparation actually materialized upon completion and to verify if the assumptions used for the ex ante evaluation held up during execution and whether they were adequate. The evaluation will be performed by a consultancy qualified to perform impact studies of development projects, with TORs agreed on in advance with the Bank. The consultancy will be contracted in the fourth year of execution or when 75% of the loan proceeds have been committed (see the timetable in the [monitoring and evaluation plan](#)), so that the study will be available as input for preparing the following tranche of the CCLIP. The cost will be financed from the budget for program administration and supervision appearing in Table 1.3.
- 3.13 As part of the monitoring and evaluation system, the executing agency will implement a system for measuring the program's impact on managing preinvestment. The impact will evaluate who benefitted from the program's preinvestment studies, with respect to a counterfactual sample to be determined by the executing agency and the Bank. Specifically, it proposes to evaluate the program's impact on the following variables related to compliance with the original planning of investment projects: (i) amount of time taken to the original plan, measured as a percentage; and (ii) additional costs with respect to the original plan, measured as a percentage. The details are presented in Chapter V of the Monitoring

and Evaluation Plan. It is expected to generate significant data on the casual relationship between preinvestment and narrowing the gap between what is programmed and what is executed for public investments in Argentina.

- 3.14 DINAPREI will take steps to fortify aspects related to strengthening its mechanisms for ex post evaluation of the studies completed under the program. The expenditures necessary for methodological design, construction of specific indicators, and compilation of data in the evaluation horizon will be financed with resources from Component II.

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives	Aligned		
Lending Program			
Regional Development Goals			
Bank Output Contribution (as defined in Results Framework of IDB-9)	Municipal or other sub-national governments supported.		
2. Country Strategy Development Objectives	Aligned		
Country Strategy Results Matrix	GN-2328-3	Institutional strengthening for better governance and fiscal sustainability.	
Country Program Results Matrix	GN-2661-4	The intervention is not included in the 2012 Country Program Document.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
II. Development Outcomes - Evaluability	Highly Evaluable	Weight	Maximum Score
	7.2		10
3. Evidence-based Assessment & Solution	6.0	25%	10
4. Ex ante Economic Analysis	5.5	25%	10
5. Monitoring and Evaluation	7.4	25%	10
6. Risks & Mitigation Monitoring Matrix	10.0	25%	10
Overall risks rate = magnitude of risks*likelihood		Medium	
Environmental & social risk classification		C	
III. IDB's Role - Additionality			
The project relies on the use of country systems (VPC/PDP criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting, External Control, and Internal Audit. Procurement: Information systems and Contracting individual consultants.	
The project uses another country system different from the ones above for implementing the program			
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality			
Labor			
Environment	Yes	The project will finance environmental impact studies.	
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project			
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan.			

The goal of the program is to increase public investment, particularly in sub-national governments, through: i) the generation of a project portfolio of viable and readily executable investment projects, ii) the improvement of the pre-investment cycle, and iii) the reduction of project preparation time. To meet this objective, the program will fund approximately 170 preinvestment studies, sectoral studies, and training in project management. The analysis carried out states that economic growth requires additional public investment, particularly at sub-national level. This intervention logic is associated with the vertical logic of the project: pre-investment studies → increased and better quality executable portfolio → incremental investments (at national, provincial and municipal). However, no evidence is presented regarding the impact of the first operation of this CCLIP. Not all indicators at outcome levels are SMART.

The project has a cost-benefit analysis where costs and benefits are not all properly identified and quantified. Monitoring mechanisms have been planned and budgeted. The project will be evaluated with an ex-post cost-benefit analysis. The evaluation plan also includes an impact evaluation using quasi experimental techniques.

Risks had been identified with mitigation measures and indicators for tracking their implementation.

RESULTS MATRIX

Project objective: The program objective is to help increase public investment, particularly by the subnational governments, through: (i) creation of a portfolio of feasible investment projects ready for execution; (ii) improvement of the preinvestment cycle; and (iii) reduction in the time taken to prepare studies.

EXPECTED IMPACT

Indicator	Unit of measure	Baseline		Final target		Source/means of verification	Comments	Indicator formulas
		Value	Year	Value	Year			
EXPECTED IMPACT: Increase in public investment, particularly by subnational governments								
1. Federal investments made as a result of the program's preinvestment studies	US\$ millions	27.50	2012	33.50	2016	Executing agency's records (database for ex post monitoring of the studies).	Although targets have not been set for every year, the value of the indicators will be calculated annually and reported to the Bank.	: \sum National investments corresponding to all completed studies that supported the investment.
2. Provincial investments made as a result of the program's preinvestment studies	US\$ millions	390.23	2012	468.27	2016		For indicators 1 and 2, a 20% increase in investment is anticipated. An increase of 30% is anticipated for the final targets of indicator 3 since it is estimated that it will grow faster than the others, based on the new criteria for prioritizing demand and financial assistance for completed projects.	: \sum Provincial investments corresponding to all completed studies that supported the investment.
3. Municipal investments made as a result of the program's preinvestment studies	US\$ millions	120.09	2012	156.11	2016		Investments will be measured in nominal amounts based on the exchange rate on 16 July 2012 of 4.50 pesos to US\$1.	: \sum Municipal investments corresponding to all completed studies that supported the investment.

Note: The baselines represent the contribution made under the first tranche of the CCLIP. The final target is the incremental contribution expected under the present program.

EXPECTED RESULTS

Indicator	Unit of measure	Baseline		Intermediate measurements			Final target	Source/means of verification	Comments	Indicator formulas
		Value	Year	Year 1	Year 2	Year 3				
EXPECTED OUTCOME 1: A portfolio of viable investment projects is generated that is ready for execution										
1.1. Portfolio of projects ready for execution as a direct result of the program's feasibility studies and final designs	US\$ millions	1,230	2012	-	-		2,350	Executing agency's records (database for ex post monitoring of the studies).	The target takes account of the priority to be assigned to the studies in the final phases of the preinvestment cycle. The investments will be measured in nominal amounts based on the exchange rate on 16 July 2012 of 4.50 pesos to US\$1.	: \sum Amounts of individual projects corresponding to completed studies that supported the project.
EXPECTED OUTCOME 2: Improvement in the preinvestment cycle										
2.1. Program's strategic plans whose implementation has started	%	70	2012	-	-	50	70	Executing agency's records (PMP system) ¹	Performance similar to that of the first tranche of the CCLIP is expected. Strategic plans are considered to have started if under the program any of the following situations applies:	: [Number of strategic plans that advanced] / [total number of strategic plans completed under the program] x 100.

¹ For recording and monitoring aspects of operational management, the executing agency has the Multisector Preinvestment Program (PMP) system and ad hoc databases designed for ex post monitoring of completed studies and support and training activities. The PMP makes it possible to monitor all stages of the study execution process: request from beneficiary entities, terms of reference, technical committees, agreements, selection of consultants, consultant reports, final reports and record of study completion. This system will be improved and expanded to include ex post evaluation processes for studies.

Indicator	Unit of measure	Baseline		Intermediate measurements			Final target	Source/means of verification	Comments	Indicator formulas
		Value	Year	Year 1	Year 2	Year 3				
									(i) one or more of the investment project profiles included in the plans has moved ahead in the preinvestment cycle (such as prefeasibility or feasibility studies); or (ii) progress has been made in one or more of the actions included in the plans (for example amendments to regulations or modifications of organizational structure).	
2.2. Program prefeasibility studies that advanced to the feasibility stage	%	6	2012	-	-	10	15	Executing agency's records (PMP system)	To determine the target, allowance was made for a larger number of prefeasibility studies since different alternatives are evaluated.	: [Number of prefeasibility studies that advanced] / [total number of prefeasibility studies completed under the program] x 100.

Indicator	Unit of measure	Baseline		Intermediate measurements			Final target	Source/means of verification	Comments	Indicator formulas
		Value	Year	Year 1	Year 2	Year 3				
2.3. Program feasibility studies that advanced to the final design stage	%	4	2012	-	-		10	Executing agency's records (PMP system)	To determine the target, allowance was made for a fall in numbers since some may not be feasible.	: [Number of feasibility studies that advanced] / [total number of feasibility studies completed under the program] x 100.
2.4. Program final designs that advanced to the investment stage	%	10	2012	-	-		20	Executing agency's records (PMP system)	To determine the target, account was taken of the priority to be given to studies in the final stages of the preinvestment cycle that had guaranteed investment funds.	: [Number of final design studies that advanced] / [total number of final design studies completed under the program] x 100.
EXPECTED OUTCOME 3: The time taken to prepare preinvestment studies is reduced										
3.1. Deviation in the times taken to conduct the studies compared to the initial plan	Days	142	2011	-	-		120	DINAPREI database (PMP system)	Deviations are calculated as the difference between the actual time taken and the time established in the TORs. The actual time includes the time required for administrative processing and for the consultants to present their final	: $\sum(\text{actual number of days}) - \sum(\text{days planned in the TORs})$.

Indicator	Unit of measure	Baseline		Intermediate measurements			Final target	Source/means of verification	Comments	Indicator formulas
		Value	Year	Year 1	Year 2	Year 3				
									reports after they receive DINAREI's comments. The deviations that can be feasibly improved are related to streamlining processing by the different players participating in the project such as ACSA and the Secretariat.	

Notes: The baselines represent the current situation of the first tranche of the CCLIP. The target is the contribution expected from the proposed program. The indicators are calculated on the basis of a sample of all the studies completed that support investments. Although targets have not been set for every year, indicator values will be calculated annually and reported to the Bank.

EXPECTED OUTPUTS

Outputs and milestones	Unit of measure	Year 1	Year 2	Year 3	Year 4	Final target	Source/means of verification
COMPONENT 1: Preinvestment studies							
1.1. General preinvestment studies completed ²	Studies	15	26	7	4	52	Executing agency's records (PMP system)
1.2 Specific preinvestment studies completed	Studies	34	32	30	23	119	
1.2.a. Prefeasibility studies completed	Studies	7	7	6	5	25	
1.2.b. Feasibility studies completed	Studies	17	14	12	9	52	
1.2.c. Final designs completed	Studies	10	11	12	9	42	
COMPONENT 2: Project evaluation and management							
2.1. Monitoring reports prepared and published on the National Preinvestment Directorate's website	Reports	1	1	1	1	4	Executing agency's reports
2.1.a. Matrix with ex post monitoring indicators for preinvestment studies designed and implemented ³	Matrix with indicators	1				1	
2.1.b. Ex post evaluation surveys of completed projects	Surveys	50*	60	65	70	245	Executing agency's records (PMP system)
2.2. Projects assisted to promote demand	Projects	13	17	19	21	70	Executing agency's records (PMP system/ database for ex post monitoring of the studies)
2.2.a. Sector and regional working groups	Working groups	3	3	3	3	12	
2.2.b. Workshops to link preinvestment studies to the securing of financing	Workshops	2	2	2	2	8	

² A study is deemed completed when the final consultants' reports are approved by DINAPREI.

³ The monitoring matrix is considered implemented when the indicators begin to be estimated using information from the projects.

Outputs and milestones	Unit of measure	Year 1	Year 2	Year 3	Year 4	Final target	Source/means of verification
COMPONENT 3: Capacity-building to manage development projects							
3.1. Training in management of the project cycle completed, with registration broken down by gender	Training sessions	11	11	11	11	44	Executing agency's records (database for ex post monitoring of training activities)
3.1.a. General and specific training workshops held on the subnational level	Workshops	2	2	2	2	8	
3.1.b. Courses to exchange national and international experiences	Courses	4	4	4	4	16	
3.1.c. Courses on project formulation, analysis, and evaluation	Courses	5	5	5	5	20	

Note: The annual targets will be revised prior to starting the program and will subsequently be updated at the start of each year.

* Comment: 20 projects completed with funds from the previous tranche of the CCLIP are expected to be included.

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country:	Argentina
Project number:	AR-L1149
Name:	Multisector preinvestment program IV – Second operation under the CCLIP
Executing agency:	National Preinvestment Directorate (DINAPREI) of the Federal Ministry of Economic Affairs and Public Finance
Fiduciary team:	Gustavo Sierra (FMP/CAR), Gumersindo Velázquez (FMP/CAR), and Maximiliano Marqués (consultant).

I. EXECUTIVE SUMMARY

- 1.1 The Risk Management Guide for Sovereign Guaranteed Projects were used for the risk evaluation and the Institutional Capacity Assessment System (ICAS) was used for the institutional analysis. The executing agency will be the National Preinvestment Directorate (DINAPREI) which will establish a program executing unit (PEU) to manage the program.
- 1.2 Some weaknesses and fiduciary risks were identified and incorporated into the Risk Mitigation Matrix (RMM). The executing agency's fiduciary management systems were evaluated using the procedures mentioned in paragraph 1.1, and it was concluded that they are adequate but need to be strengthened.
- 1.3 The program does not include financing from other bodies, and there are no subexecuting agencies.

II. THE EXECUTING AGENCY'S FIDUCIARY CONTEXT

- 2.1 The executing agency's fiduciary systems are satisfactory although they have certain weaknesses that will require strengthening and measures to that end that have been included in the RMM.
- 2.2 Weaknesses continue to be found in financial management, such as the delay in delivery of the audited financial statements that led to the suspension of disbursements. The delay has two causes: failure by the Office of the National Auditor General (AGN) to complete the audits on time and lack of control by the PEU over matters related to financial administration, since that task is delegated by the Economic Policy and Development Planning Secretariat (SPEPD) to the Common Administrative Services Section (ACSA) which handles financial management of all programs financed by the Secretariat. It will be important to strengthen the AGN so that it can deliver the audited financial statements in due

time and form and establish efficient mechanisms for coordination between ACSA and the PEU that will permit the latter to have more influence on financial management of the program.

III. FIDUCIARY RISK EVALUATION AND MITIGATION MEASURES

- 3.1 The fiduciary capacity assessment was performed as part of the ICAS analysis. Risks were identified (including fiduciary risks) using the Risk Management Guide for Sovereign Guaranteed Projects, through a joint workshop with the executing agency and other institutions. The risks identified and included in the Risk Matrix are: (i) insufficient supply of consultants at the regional level and by specialty; (ii) difficulties in coordination between the executing agency and the beneficiaries; (iii) small number of studies and projects financed in the preinvestment stage that turn into actual investments; and (iv) suspension of disbursements owing to delays in completion of the audited financial statements. Accordingly, the following mitigation measures have been proposed: (i) disseminate the program widely; (ii) renew the consultants' register; (iii) establish fiduciary rules and procedures between the parties involved; and (iv) create mechanisms for coordination between the executing agency and the AGN. The mitigation measures have been incorporated into the very design of the operation, based on comprehensive mechanisms for institutional strengthening and technical assistance, which has led the risk posed by the executing agency to be classified as low.
- 3.2 The supervision modality applicable to financial and procurement management has been determined on the basis of the risks identified. The initial supervision modality may change during program execution depending on the evaluations made.

IV. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF CONTRACTS

- 4.1 **Conditions precedent to the first disbursement:** (i) entry into effect of the program's Operating Regulations in accordance with the terms agreed on in advance with the Bank; (ii) presentation of evidence that the financial management system for the executing units of externally financed projects (UEPEX) has been started up; and (iii) appointment of the program coordinator.
- 4.2 The executing agency will present the project's annual financial statements audited by an independent auditor acceptable to the Bank based on terms of reference agreed on in advance with the Bank.

V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

A. Procurement execution

- 5.1 The Policies for the procurement of goods and works financed by the Inter-American Development Bank (document GN-2349-9) of March 2011 and the Policies for the selection and contracting of consultants financed by the Inter-American Development Bank (document GN-2350-9) of March 2011 will be

applied. It has also been agreed with the executing agency that the Procurement Plan Execution System (SEPA) will be used to administer and manage procurement planning.

- a. **Procurement of goods and nonconsulting services:** Contracts for goods and nonconsulting services¹ arising under the program and subject to international competitive bidding (ICB) will use the Bank's standard bidding documents (SBDs). Bids subject to national competitive bidding (NCB) will use national bidding documents agreed on with the Bank. The program's sector specialist is responsible for reviewing the technical specifications for procurement when selection processes are being prepared. The procurement plan to be submitted by the executing agency will identify the selection processes to be conducted using direct contracting and those requiring bidder prequalification.
- b. **Selection and contracting of consultants:** Contracts for consulting services arising under the program will use the standard request for proposals (RFP) agreed on with the Bank. The procurement plan will describe the selection processes to be conducted using direct contracting.
 - (i) **Selection of individual consultants:** In the cases identified in the approved procurement plans, expressions of interest from individual consultants may be solicited through local or international notices for the purpose of establishing a shortlist of qualified individuals, as established in document GN-2350-9, Section V, paragraphs 5.1 to 5.4. For services, the consultants will provide the executing agency with the midterm and final reports required by it. Since the proposed project is the second stage of a CCLIP (loan 1896/OC-AR) and since the staff of the existing executing unit have been working on its execution, this same staff will be selected directly and, for the purpose of renewing their contracts, approval of the performance evaluation with a minimum rating of satisfactory by the competent authority will be sufficient. The evaluation will be performed annually on one occasion to facilitate approval by the corresponding authorities. DINAPREI will establish the use of sector registers of consulting firms and individual consultants, which will be continuously updated.
 - (ii) **Training:** The procurement plan describes the procurements for the program components, which include training to be contracted as consulting and nonconsulting services.
- c. **Recurring expenses:** Recurring expenses or operating and maintenance costs during the program will involve: travel (governed by national rules established in Decree 1191/2012 providing for the purchase of tickets from Aerolíneas Argentinas and Austral for travel in the country and abroad), per diems, ground transportation, rentals and services, maintenance, expenses, stationery,

¹ Policies for the procurement of goods and works financed by the Inter-American Development Bank (document GN-2349-9) paragraph 1.1: Nonconsulting services are treated as goods.

messenger service and mail, cleaning services, computer inputs, insurance, telephone, and minor expenses required for the operation of the executing agency, to be financed by the program. The administrative procedures established in the Operating Regulations will be followed, which have been reviewed and accepted by the Bank. Operating costs do not include the salaries of civil servants.

d. **Advance procurement/retroactive financing:** None.

B. Table of thresholds (US\$ thousands)

Goods			Consulting	
International competitive bidding	National competitive bidding	Shopping	International notice	Shortlist 100% national
≥ 500,000	< 500,000 ≥100,000	< 100,000	>200,000	<500,000

Thresholds for ex post reviews		
Goods	Consulting services	Individual consultant
< 500,000	< 200,000	< 50,000

Note: The thresholds established for ex post review are applied on the basis of the executing agency's fiduciary execution capacity and may be modified by the Bank to the extent that this capacity changes.

C. Major procurement processes

Activity	Procurement method	Estimated starting date	Estimated amount (US\$ thousands)
Goods			54
Computer equipment	Shopping	01/02/2013	26
Software	Shopping	01/02/2013	6
Stationary	Shopping	01/02/2013	22
Individual consultants			5,078
Preparation of preinvestment studies	Roster		4,842
Executing unit staff honoraria	3 CVs	01/01/2013	146
Technical assistance	3 CVs	01/02/2013	53
Consulting services for support	3 CVs	01/02/2013	22
Design of program management software	3 CVs	01/02/2013	15
Consulting firms			1,281
Preparation of preinvestment studies	QCBS	01/02/2013	1,281

D. Procurement supervision

5.2 Procurements will be supervised ex post except for ICB and direct contracting, if any, which will be supervised ex ante. Ex post review visits will be made at least once per jurisdiction every 12 months. The ex post review reports will include at least one physical inspection visit (the inspection verifies that the procurement was

made, leaving quality and compliance with specifications to be verified by the sector specialist), selected from the procurement processes subject to ex post review. It should be noted that at least 10% of the contracts reviewed will be inspected physically during the program.

E. Records and files

- 5.3 The executing agency will maintain a standardized central filing system and procedures for original documents. Project reports will be prepared and filed using the agreed upon formats or procedures described in the program's Operating Regulations. Originals are filed by DINAPREI, which will conduct the bidding processes.

F. Other

- 5.4 DINAPREI's portfolio of projects whose execution has not begun includes 52 projects already authorized by the technical committee, representing demand of US\$6,488,072. Furthermore, new demand has been reported for about US\$3,295,000 from 28 new requests.
- 5.5 It has been agreed that the project portfolio will be reviewed at a coming meeting of the technical committee. The projects reviewed whose priority is confirmed will comprise the new portfolio to be financed with funds from the second tranche of the CCLIP.

VI. FINANCIAL MANAGEMENT

- 6.1 The executing agency will use the financial management system for the executing units of externally financed projects (UEPEX). Cash-based accounting will be used and International Financial Reporting Standards (IFRS) will be followed when applicable in accordance with established national criteria. The following financial reports will be required: (i) financial execution plan for up to 180 days following a request for an advance of funds; (ii) audited annual financial statements; and (iii) other reports required by the fiduciary specialists.

A. Disbursements and cash flow

- 6.2 The Financial Management Policy for IDB-financed Projects (document OP-273-1) and the Financial Management Operational Guidelines for IDB-financed Projects (document OP-274-1) will be applied.
- 6.3 The loan proceeds requested of the Bank in the form of advances will be deposited in an account in dollars which will be converted into local currency pursuant to operating requirements and placed in an account in pesos exclusively for the project, which will be used to pay project expenses and investments as planned. The executing agency will maintain rigorous and proper control over the use of advances, with mechanisms designed to verify and reconcile the available balance in the executing agency's records with the equivalent balances in the Bank's records (LMS1 report).

- 6.4 The program will use e-Disbursements, the Bank's online system that allows the executing agency to electronically prepare and send disbursement requests to the Bank, reducing transaction costs by enabling the Bank to review and process the requests remotely.

B. Internal control and internal audit

- 6.5 The national internal control entity is the Sindicatura General de la Nación [General Accounting Office] (SIGEN) which will audit the program through the Ministry of Economic Affairs and Finance's Internal Auditing Unit.

C. External control and reports

- 6.6 The Office of the National Auditor General (AGN) is the senior technical entity for external control of the national public sector and will be responsible for the program's external audits.

D. Financial supervision plan

- 6.7 The initial financial supervision plan is based on risk and fiduciary capacity evaluations conducted on the basis of onsite and desk reviews of the project, and includes the scope of operational, financing, and accounting actions; compliance and legal considerations; frequency; and identification of responsible parties.

E. Execution mechanism

- 6.8 Decree 1907/2010 closed down UNPRE (Preinvestment Unit), which was the executing unit of the first tranche of Multisector Preinvestment Program III over the period 2008-2010, and the National Preinvestment Directorate (DINAPREI), which is its continuation for all purposes, will assume the powers and obligations of the former unit.

- 6.9 DINAPREI comprises two line directorates: the Directorate of Preinvestment Studies and the Directorate of Project Assistance.

- 6.10 To carry out its functions and program execution responsibilities, DINAPREI has a general coordinator and four support sections: programming and control, technical, legal, and federal. These sections will be responsible for executing the program of studies, from presentation of the request for financing (demand) to approval of the final reports (output).

- 6.11 The executing agency has the Common Administrative Services Section (ACSA), which reports to the General Technical and Operations Coordination Office of the Economic Policy and Development Planning Secretariat, responsible for providing administrative support services. ACSA has the following sections: intake, budget, accounting, payments, treasury, and purchasing.

- 6.12 ACSA is responsible for administrative, accounting, budgetary, financial, and procurement management tasks, and movements of funds (expenditures and revenue). Its accounting tasks include accounting records (daily manual and automatic entries) and putting together the financial statements and disbursement requests.