

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

ARGENTINA

**CONDITIONAL CREDIT LINE (CCLIP) FOR THE PROGRAM TO
SUPPORT THE POLICY ON IMPROVING EQUITY IN EDUCATION**

(AR-X1011)

**PROGRAM TO SUPPORT THE POLICY ON IMPROVING EQUITY IN
EDUCATION – PROMEDU III**

(AR-L1152)

LOAN PROPOSAL

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ELECTRONIC LINKS	
REQUIRED	
1.	Annual work plan (AWP) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37443212
2.	Monitoring and evaluation plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37443976
3.	Full procurement plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37443224
4.	Environmental and Social Management Report (ESMR) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37419111
OPTIONAL	
1.	Technical note on education http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37113004
2.	Draft Operating Regulations http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37442590
3.	2010 Population Census http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37442629
4.	School infrastructure: requirements for the coming decade http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37442880
5.	Characterization of the program's new school infrastructure http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37442928
6.	Infrastructure targeting in the PROMEDU program http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37442977
7.	Percentage of population with unmet basic needs http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37443075
8.	Economic analysis http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37395824
9.	Argentina: Country Strategy 2012-2015 http://sec.iadb.org/Site/Documents/DOC_Detail.aspx?pSecRegN=GN-2687

ABBREVIATIONS

CCLIP	Conditional credit line for investment projects
DINIECE	Dirección Nacional de Información y Evaluación de la Calidad Educativa [National Bureau for Information and Evaluation of the Quality of Education]
EPH	Continuous household survey
MPFIPyS	Ministry of Federal Planning, Public Investment, and Services
PISA	Programme for International Student Assessment
PROMEDU	Program to Support the Policy on Improving Equity in Education
UBN	Unmet basic needs

PROJECT SUMMARY
ARGENTINA
PROGRAM TO SUPPORT THE POLICY ON IMPROVING EQUITY IN EDUCATION – PROMEDU III
(AR-L1152)

Financial Terms and Conditions			
Borrower: Argentine Republic Executing agency: Ministry of Education and Ministry of Federal Planning, Public Investment, and Services (MPFIPyS) in coordination with the Ministry of National Education (MEN)		Flexible Financing Facility*	
		Amortization period:	25 years
		Original WAL:	15.25 years
		Disbursement period:	36 months
		Grace period:	5.5 years (**)
Source	Amount	Inspection and supervision fee:	***
IDB (Ordinary Capital)	US\$280.00 million	Interest rate:	LIBOR-based
Local	US\$31.11 million	Credit fee:	***
Total	US\$311.11 million	Approval currency:	U.S. dollar from the FFF
Project at a glance			
Project objective/description:			
The objectives of the project are: (i) to help increase the coverage of early childhood and secondary education for the most vulnerable population; and (ii) to support the policy for primary and secondary school retention and quality (paragraph 1.22).			
Special contractual conditions precedent to the first loan disbursement: Entry into force of the Operating Regulations will be a condition precedent to the first loan disbursement (paragraph 3.4).			
Exceptions to Bank policies: None.			
Project qualifies as:	SEQ <input checked="" type="checkbox"/>	PTI <input checked="" type="checkbox"/>	Sector <input type="checkbox"/>
		Geographic <input checked="" type="checkbox"/>	Headcount <input type="checkbox"/>

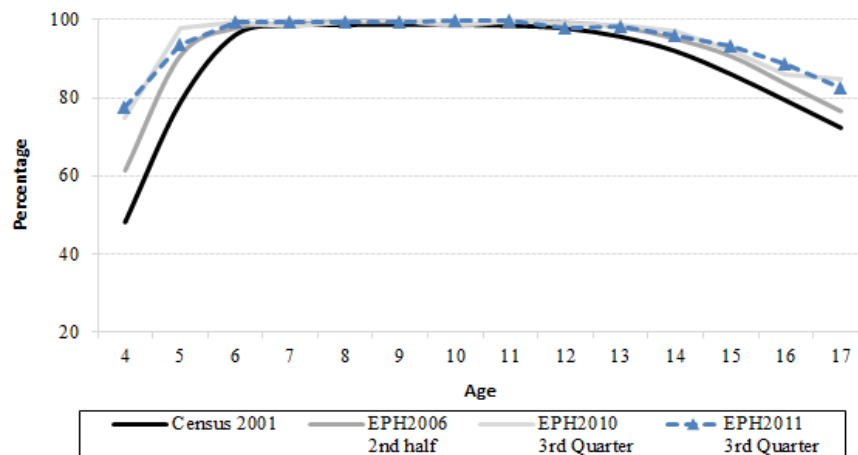
- (*) Under the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency and interest rate conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.
- (**) Period as of which the borrower will be required to make the first amortization payment.
- (***) The inspection and supervision fee and credit 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.

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problems, and rationale

- 1.1 Argentina's formal education system serves 13.2 million students, close to 10 million of whom are at the early childhood, primary, and secondary levels. The country has made significant progress in enrollment; thus, the 11.2 years of education of its 25- to 59-year-old urban population are among the highest in Latin America and the Caribbean. Primary school coverage is virtually universal (98.7%) and early childhood education coverage for five-year-olds is high (91.4%). The net secondary enrollment rate is 82.5% and has historically been rising. The gross higher education coverage rate is 45% for 20- to 24-year-olds. Official statistics show that there is also a positive trend in the level of educational achievement, as demonstrated by the results of the 2007 and 2010 National Assessment Exercises. The 2006 and 2009 data from the Programme for International Student Assessment (PISA) also show improvements.¹

Figure 1
2001-2011 School attendance by age



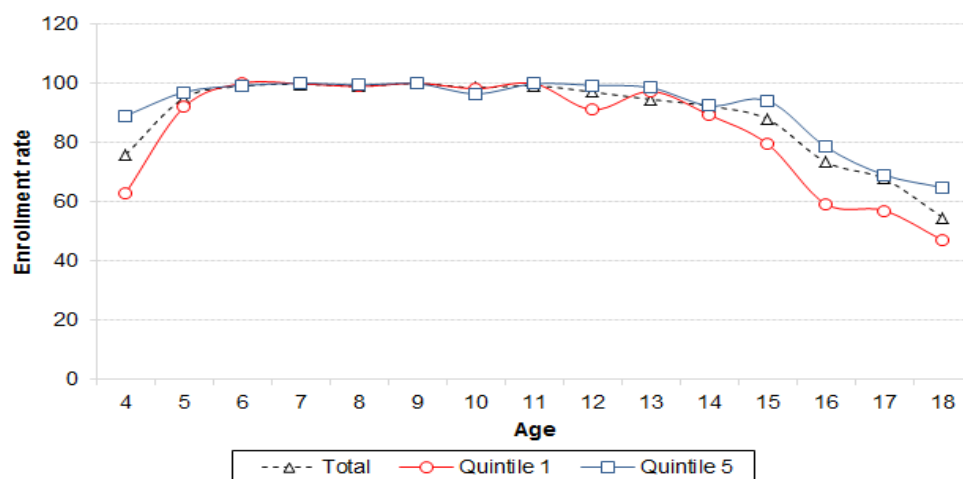
- 1.2 Over the past decade, progress in school attendance has been sustained (as shown in Figure 1), and improvements in coverage and quality throughout the educational system have been accompanied by a continuous increase in education expenditures, which rose from 4.66% of gross domestic product (GDP) in 2000 to 6.30% in 2010.
- 1.3 Notwithstanding the foregoing, it is essential to continue the efforts to maintain these trends and ensure equitable, quality education at every stage of the school

¹ The information in this document has to a large extent been taken from the EDU-IDB Technical Note on Education (in the framework of preparation of the Bank's country strategy with Argentina 2012-2015), prepared by L. Biehl, N. Benasso, and S. Bos (May 2012) ([optional electronic link 1](#)).

cycle. There is still a group of four- and five-year-olds who do not attend early childhood education and a percentage of young people, particularly those living in poor areas, who fail to attain the graduation rates set by law or obtain the knowledge and skills that would enable them to compete in a globalized world. According to estimates based on 2010 census data, some 700,000 children and teens 4 to 17 years of age are outside the educational system (see [optional electronic link 3](#)). School attendance data show pronounced disparities associated with the socioeconomic status of the students, particularly at the early childhood and secondary levels.

- 1.4 **Early childhood education.** Close to 15% of four- and five-year-olds (approximately 200,000 children) are outside the early childhood system. A disproportionate number of these children belong to the poorest quintiles of the population. While early childhood coverage is similar for the five-year-old cohort (92% coverage in the poorest quintile, compared to 97% in the wealthiest), inequality is much greater in the four-year-old cohort, where only 63% of children that age are enrolled in an early childhood program, compared to 89% in the wealthiest quintile. Preschool is highly associated with better educational outcomes during primary school and lower risk of failing in school.

Figure 2
Percentage of children and adolescents attending school by age and income quintile (2011)



Source: Based on the continuous household survey (EPH) database for the fourth quarter of 2011.

- 1.5 **Secondary school.** In Argentina, nearly 450,000 young people between the ages of 12 and 17 do not attend school, and the majority of them belong to the poorest segments of the population. Figure 2 shows the drop in school attendance for young people in the first (poorest) income quintile, starting at age 14: at 15, 89% attend school; at 16, attendance drops to 79%; at 17, only 59% attend school, and this

figure falls even further (to 57%) for the 18-year-old group. In the aggregate, while school attendance for 13- to 17-year-olds in the poorest quintile is approximately 80%, it rises to 93% in the highest-income quintile.

- 1.6 In addition, these figures conceal high repetition and over-age rates. In the 14-year-old cohort, 55% of students are a grade or more behind. In the 15- and 16-year-old cohorts, the figure is approximately 58%, creating a significant gap between actual and theoretical enrollment per grade that persists throughout the secondary school cycle. As a result, students who are repeating a grade or who are over-age occupy more than one third of school slots.² These internal efficiency problems foreshadow teens' dropping out in the future.³ Thus, 35% of the 20- to 29-year-old cohort have failed to complete secondary school due to access or retention difficulties, while the figure tops 60% for the group in the poorest quintile (EPH, 2010).
- 1.7 **Quality of education.** As indicated in paragraph 1.1, national educational quality tests show a positive trend in recent years, yet the country continues to face the major challenge of improving learning for a large percentage of students. The PISA results indicate that Argentina lags significantly behind with respect to countries in the Organization for Economic Cooperation and Development (OECD) and other participating countries with similar income per capita. According to PISA 2009, only 48% of 15-year-old Argentine students achieve level 2 (in reading), which is considered the minimum threshold of knowledge for a full and productive adult life. In the poorest 25% of the population, a mere 34% achieve level 2. The results of the National Assessment Exercise tests yield similar results and show that one third or more of students reaching the sixth grade have not acquired the required skills and knowledge in language, science, and mathematics. In secondary school, the 2010 National Assessment Exercise tests for ninth grade students indicate that 26.3% have low language skill levels and 30% have low mathematics skill levels.
- 1.8 **Needs for education infrastructure.** The National Education Act (2006) is aimed at resolving the fragmentation and inequality problems that affect the educational system and creating a foundation for quality universal education. This law directs the national and provincial governments to expand the supply associated with physical education resources in order to comply with the mandate for a longer primary school day, as well as to implement school access starting at four years of age and make secondary school attendance compulsory.⁴ According to existing projections (see [optional electronic link 4](#)), incorporating all children and adolescents encompassed by this law into the early childhood and secondary school

² Authors' calculations based on data from the 2009 annual enrollment survey conducted by the Dirección Nacional de Información y Evaluación de la Calidad Educativa [National Bureau for Information and Evaluation of the Quality of Education] (DINIECE).

³ See Panorama General de la Educación en América Latina y el Caribe [General Outlook for Education in Latin America and the Caribbean] (M. Alfonso, S. Bos, J. Duarte, and C. Rondon), Chapter 1 of the book Educación para la Transformación [Education for Transformation], ed. Marcelo Cabrol and Miguel Szekely, IDB 2012.

⁴ See sections II, III, and IV of the National Education Act (Law 26,206).

system requires increasing the system's capacity by approximately 1,544 institutions,⁵ as shown in Table I-1. Of these, close to 570 are needed at the early childhood level and 974 at the secondary school level. Despite noteworthy advances in this area, addressing school infrastructure needs in Argentina requires a long-term effort and combined interventions by the provinces and the central government with the support of multilateral agencies.⁶

Table I-1
Estimate of early childhood and secondary school infrastructure needed by 2016
to comply with laws currently in effect

Early childhood		Secondary school		Total	
# of rooms	Schools	# of rooms	Schools	# of rooms	Schools
1,710	570	6,815	974	8,525	1,544

1.9 Educational policy strategies in recent years and Bank support for the sector.

The educational policy of recent governments, in terms of early childhood, primary, and secondary education, has been aimed at addressing the coverage and quality challenges described in preceding paragraphs. This policy seeks to achieve: (i) total early childhood coverage for five-year-olds and growing inclusion of three- and four-year-old children; (ii) access to longer school hours for at least 30% of primary school students; (iii) improvement in mathematics, science, and language learning; (iv) enhanced quality of education through improvements in school infrastructure and equipment, in teacher training and teaching practice, and in the educational processes and curriculum content, including foreign languages and access to and mastery of new information and communication technologies; (v) school year totaling at least 180 school days; (vi) inclusion of children with special education needs; and (vii) development of targeted strategies and allocation of resources to ensure inclusion and retention of children and adolescents from vulnerable sectors, particularly in early childhood and secondary school, thus contributing to equal opportunities in the education system.

1.10 The Bank supports the current educational strategies through the Program to Support the Policy on Improving Equity in Education (PROMEDU), which consists of a conditional credit line for investment projects (CCLIP) (AR-X1011). Its objective is to help close the existing gap in educational opportunities for children and young people from different income strata, through financing activities that support the policy of secondary school retention and graduation and of school infrastructure expansion and improvement.

⁵ Table I-1 does not include information on extended-day requirements in primary school. According to estimates, assuming a full day at all primary schools, the equivalent of 2,900 additional institutions would be needed. Since the extended-day model is under review by the Ministry of Education, the preceding estimate is certain to change.

⁶ Currently, the MPFIPyS, the Ministry of Education, the Andean Development Corporation (CAF), and the IDB are supporting efforts to expand and improve educational buildings.

- 1.11 Two loan operations (PROMEDU I and II, loans 1966/OC-AR and 2424/OC-AR, respectively) have been financed under the CCLIP. The objectives of PROMEDU I, approved in 2008 in the amount of US\$700 million (US\$630 million from the Bank's Ordinary Capital), were to: (i) support the secondary school retention and graduation policy; (ii) increase access at the early childhood and secondary school levels; (iii) support a longer day at the primary school level; and (iv) create an improvement in inputs and management processes in the education system. PROMEDU I led to the construction of 362 early childhood education centers, 112 primary schools, and 102 secondary schools, in addition to six teacher training institutions. These benefit close to 30,000 children in early childhood education, 43,000 in primary school, and 42,120 in secondary school, for a total of nearly 115,000 children and young people benefiting from the new school infrastructure. In addition, study grants were distributed to more than 400,000 secondary school students, and educational projects were financed in more than 6,500 secondary schools for institutional improvement, provision of textbooks and literature books for libraries, and other activities aimed at improving school conditions for more than 2.2 million students in the country's poorest schools.⁷
- 1.12 The PROMEDU I outcome indicators show that the objective of improving student retention in secondary school is being achieved. The promotion rate in grades 8 to 11 rose from 72.6% to 76.4% between 2006 and 2010; the year-on-year continued enrollment rate (which indicates whether students remain in school, regardless of what grade they are in) for the 14- to 17-year-old population increased from 0.93 to 0.94 nationwide (excluding the Province of Buenos Aires), reversing the negative trend that had existed in the period following the 2001 crisis. For the Province of Buenos Aires, this rate for the 16- to 17-year-old group improved from 0.94 to 0.99, which indicates an extremely high degree of student retention in schools.
- 1.13 The indicators show that the program has contributed not only to improving early childhood and secondary school coverage, as described above, but to closing the existing equity gaps between different socioeconomic groups.⁸ As shown in Table I-2, the gap in early childhood attendance between the poorest and wealthiest quintiles narrowed from 8.3 percentage points in 2006 to 4.7 percentage points in 2011 for five-year-olds and from 35.7 percentage points to 25.7 percentage points for four-year-olds. Furthermore, between 2006 and 2011, the percentage of 18- to 20-year-old youths from quintiles 1 and 2 (poorest) who no longer attend school and did not graduate fell from 26.9% to 19.2%.
- 1.14 For its part, PROMEDU II, approved in 2011 for the amount of US\$495 million (Ordinary Capital), has disbursed 50% of total loan proceeds⁹ and has provided

⁷ See Progress Monitoring Report (PMR) 1966/OC-AR.

⁸ Between 2006 and 2011, early childhood coverage for four- and five-year-olds rose nearly 6%. Secondary school coverage for the 14- to 17-year-old cohorts increased from 84.5% in 2006 to 89.6% in 2010 (according to the EPHs).

⁹ The execution percentage triggers preparation of the third CCLIP operation.

continuity to the educational policy by financing improvement plans in more than 5,000 schools and school transportation bonds in more than 7,000 primary and secondary schools. In addition, 95 education centers have been completed, 187 are in construction, and 89 are in the bidding process stage.

Table I-2
PROMEDU I outcomes¹⁰

Description	Measurement	2006 baseline	2011 achievement	Source
Impacts				
18- to 20-year-old youths from quintiles 1 and 2 who no longer attend school and did not complete high school	%	26.9%	19.2%	2Q 2006 and 3Q 2011 EPH
Difference in early childhood education attendance rates between the first and fifth quintile for the five-year-old population	Percentage points	8.33	4.73	2Q 2006 and 3Q 2011 EPH
Difference in early childhood education attendance rates between the first and fifth quintile for the four-year-old population	Percentage points	35.7	25.7	2Q 2006 and 3Q 2011 EPH
Outcomes				
Enrollment for the slots created in public early childhood education centers and secondary schools built with loan proceeds and in operating condition for the 2010 school year	%	Early childhood Secondary school	96% 100% ¹¹	Actual enrollment/slots generated. 2010 enrollment, annual survey. Target: 75%
Year-on-year continued enrollment rate for 14- to 17-year-olds exceeding 0.93 nationwide (except in the Province of Buenos Aires) at public secondary schools supported through study grants, textbooks, and complementary actions	Points	0.93	0.94	Annual survey. DINIECE/ME 2006 and 2010
Year-on-year continued enrollment rate for 16- to 17-year-olds in the Province of Buenos Aires at public secondary schools supported through study grants, textbooks, and complementary actions	Points	0.94	0.99	Annual survey. DINIECE/ME 2006 and 2010
Annual promotion rate for grades 8 to 11 increased at public secondary schools supported through study grants, textbooks, complementary actions, and additional interventions	%	72.6	76.4	Annual survey. DINIECE/ME 2006 and 2010
Students benefiting from educational projects	Number		2,216,000	PROMEDU, 2010

¹⁰ Source: Data provided by DINIECE. The table does not include outcome indicators on enrollment for the slots created in public primary schools in the extended-day system or on student beneficiaries of the National Study Grant Plan. The reason is that, due to changes in education policy, extended-day programs are not prioritized and the study grant program has been canceled because it overlapped with the new Universal Allowance Per Child program.

¹¹ Calculated on the basis of schools completed in 2008-2009 that have enrollment data for 2010. Enrollment for schools completed in 2010 (the 188 that already have such data) is 74%, since many of these do not open all their courses to enrollment at once.

- 1.15 Program execution has been fluid, but differences in the pace of execution have persisted between the two subprograms. Thus, while subprogram I (quality) is 39% executed, subprogram II (infrastructure) disbursed 60% of the loan proceeds and committed 92% of its resources in one year of execution. This is primarily due to the different characteristics and execution modalities of each subprogram. The construction of infrastructure is based on a framework of collaboration and complementarity between the Ministry of Education and the Ministry of Federal Planning, Public Investment, and Services (MPFIPyS), which has proven to be highly effective. In this mechanism, the MPFIPyS executes the resources directly, acting as a specialized agency.
- 1.16 **Program strategy.** The difference in pace of execution between PROMEDU II subprograms I and II has a significant consequence for the strategy of this third CCLIP operation: it requires prioritizing the financing for school infrastructure in order not to slow its progress. The supplementary lines included in subprogram II continue execution, financed through PROMEDU II and Ministry of Education resources. This ensures the comprehensive nature of the intervention for achievement of the CCLIP's general objectives, and in turn, allows the time needed to make evaluations of the different lines available prior to their expansion.
- 1.17 Thus, this operation seeks to contribute to the national objectives of improving coverage and retention of young people in the educational system by building and outfitting quality educational spaces located in the most socially vulnerable sectors, where unmet demand is greatest. It does this in the context of the comprehensive educational quality and equity improvement program, which supports not only more and better infrastructure but teacher training, quality educational inputs, student transportation subsidies, and specific school improvement plans (see paragraphs 1.9 to 1.13).
- 1.18 Improving learning conditions by providing more and better spaces contributes to the system's efficiency and quality on several fronts: (i) it creates access to early childhood education, which is strongly associated with better educational outcomes in primary school and lower risk of failure in school;¹² (ii) it establishes an extended day in primary school, which is associated with improved secondary school promotion and graduation rates, primarily in the most vulnerable sectors;¹³ and

¹² See Cunha, F. and J. Heckman. 2006. "Investing in our young people." Institute for the Study of Labor (IZA), DP No. 5050; and Berlinski, S., S. Galiani, and P. Gertler. 2009. "The Effect of Pre-primary Education on Primary School Performance." *Journal of Public Economics*, 93, 219-234.

¹³ See Panorama general de la educación en América Latina y el Caribe [General Outlook for Education in Latin America and the Caribbean] (M. Alfonso, S. Bos, J. Duarte, and C. Rondon), Chapter 1 of the book Educación para la Transformación [Education for Transformation], ed. Marcelo Cabrol and Miguel Szekely, IDB, 2012.

- (iii) it creates conditions for improvement in school learning while increasing teacher motivation and helping to prevent student behavior problems.¹⁴
- 1.19 In the above-described context, the PROMEDU III strategy will focus on continuing to contribute, jointly with complementary provincial and national efforts, to the provision of the building infrastructure needed to address the objectives of expanding quality coverage at the early childhood, primary school (extended day), and secondary school levels as established in the National Education Act.
- 1.20 The project's objectives are tied to the national policy and contribute to the initiative of the Ninth General Increase in the Resources of the Inter-American Development Bank (GCI-9) (document AB-2764-11) related to poverty reduction and equity enhancement. In addition, they are aligned with the Bank's strategy with Argentina (2012-2015) (document GN-2687), which provides that the Bank will continue supporting the strengthening of social investments aimed at reducing the rate of unmet basic needs (UBN)¹⁵ in the population, prioritizing actions aimed at strengthening inclusive, gender, and diversity policies, as well as education, health, and basic sanitation policies that proportionately benefit lower income groups more, particularly in Argentina's Norte Grande region and Greater Buenos Aires.¹⁶ As described below, 100% of the beneficiaries of this operation belong to populations with higher UBN than the national average, and at least 56% of the investment will be allocated to Norte Grande and Greater Buenos Aires.¹⁷ This means that, for reasons of eligibility, more than 50% of beneficiaries will be part of the poor population (exceeding the provincial UBN). It should be noted that, in evaluating the targeting of the prior PROMEDU programs, it was estimated that at least 86% of beneficiaries met this eligibility criterion.

¹⁴ See Duarte, J., Gargiulo, C., and Moreno, M. (2011). *Infraestructura Escolar y Aprendizajes en la Educación Básica Latinoamericana: Un análisis a partir del SERCE*. [School Infrastructure and Learning in Elementary Education in Latin America: An analysis based on SERCE]. Washington, D.C.: IDB; Schneider, M. (2002). Do School facilities affect academic outcomes. National Clearinghouse for Education Facilities, Washington, D.C.; and Earthman, G. (2002). *School Facility Conditions and Student Academic Achievement*, UCLA/IDEA, Los Angeles.

¹⁵ According to the methodology used in Argentina, UBN, to be considered as such, must satisfy one of the following conditions: (i) overcrowding: households with more than three persons per room (environmental); (ii) housing: located in an informal neighborhood or, in the case of a rented room, a room in a hotel/pension or in a building not intended for habitation; (iii) sanitary conditions: households with no bathroom of any type; (iv) school attendance: children 6 to 12 years of age do not attend school; and (v) subsistence capacity: more than four persons in the household per employed person and head of household with no education (primary school or special education not completed).

¹⁶ Argentina's Norte Grande region: consists of the six provinces of Argentina's northwest (Catamarca, Jujuy, La Rioja, Salta, Santiago del Estero, and Tucumán) and the four provinces of the country's northeast (Chaco, Corrientes, Formosa, and Misiones). Greater Buenos Aires consists of 24 districts that surround the City of Buenos Aires and account for 38% of the country's student population.

¹⁷ The Ministry of Education uses unmet basic needs rather than the poverty line to prioritize its actions.

- 1.21 Likewise, the program directly contributes to the strategic line of social and economic inclusion of the population under the Bank's strategy with Argentina in terms of its educational objectives, namely: guaranteeing school inclusion and retention of the most vulnerable children and young people and achieving full coverage of early childhood and secondary school education.¹⁸

B. Objectives and components

- 1.22 The objectives of the project are: (i) to help increase the coverage of early childhood and secondary education for the most vulnerable population; and (ii) to support the policy for primary and secondary school retention and quality. The above will be achieved by building and outfitting educational centers in the context of a comprehensive program to promote educational equity and quality.

1. Component 1. Expansion of school infrastructure (US\$305.55 million)

- 1.23 The project calls for building 240 new schools that will benefit approximately 65,190 students distributed by level as shown in Table I-3.

Table I-3
Beneficiary students

Level	Number of schools	Slots created
Early childhood	101	15,150
Primary	31	11,160
Secondary ¹⁹	108	38,880

- 1.24 The schools will be distributed throughout the country in accordance with territorial distribution parameters approved by the Ministry of Education and set forth in the Operating Regulations in effect for the program (see [optional electronic link 2](#), page 6). Under these parameters, at least 56% of the investment is earmarked for Norte Grande and Greater Buenos Aires, where the largest population with UBN and outside the system is concentrated (see [optional electronic link 7](#)). Furthermore, 100% of the schools will comply with the eligibility criteria described in Table I-4.²⁰

¹⁸ Bank's Strategy with Argentina 2012-2015 ([optional electronic link 9](#)).

¹⁹ Under CFE Resolution 167/12, Buenos Aires, 28 March 2012, a maximum of 12 institutions to be used for teacher training throughout the country may be financed through this line.

²⁰ The eligibility criteria for schools are described in the following electronic link:
<http://www.700escuelas.gov.ar/web/documentos/Instructivo%20Presentacion%20de%20proyectos.pdf>.

Table I-4
Eligibility criteria

- School located in a disadvantaged socioeconomic area, measured as a census tract with UBN exceeding the provincial average or neighborhood with low-income housing programs.
- Be part of the selection and educational programming process²¹ by level and modality formulated by the provincial educational planning areas.
- Territorial location according to the provincial master plans and target population determined by the program.
- Functional and architectural design in accordance with the design standards of the national 700 Schools program.
- Selection of construction systems, environmental conditions, and final costs in accordance with parameters in effect.
- Document the availability of all teaching, nonteaching, and administrative personnel required for the school to operate.²²

1.25 The characteristics of the new schools are determined by taking into account the central functional (teaching, curricular) and support (outreach, management, and complementary) processes. They include the following functional areas: the teaching area, the administrative and/or governance area, the services and support area (restrooms, offices, storage areas, kitchen), and an area for multiple communal activities (multiuse auditorium, library-computer room, exterior spaces). The teaching areas include classroom-workshops in primary schools and science laboratories in secondary school (see [optional electronic link 5](#)). Furthermore, all new infrastructure must ensure accessibility for persons with limited mobility as provided in the National Law.²³

²¹ Educational programming is the instrument used to verify appropriate location as a function of supply and demand in the area and the number of slots needed for the school to operate.

²² It is estimated that the Plantas Orgánicas Funcionales [functional organic staff] (POF) assigned to the new educational centers will include approximately 3,678 teachers or support personnel. This figure represents only about 0.7% of the total number of common education teachers in the country's public-school sector (520,000 according to data from the latest national teacher census, conducted in 2004). In budgetary terms, current expenses intended for operation of the new schools, which primarily include salaries, account for an insignificant percentage of the consolidated educational budget at the early childhood and primary school levels. It is anticipated that these increases will be gradual and will on average be as follows: 0.13% the first year, 0.26% the second year, 0.38% the third year, and 0.55% the fourth year, which is when the new schools are expected to be fully operational.

²³ See also the attached link: Design Manual – Architecture Complementary Profiles <http://www.700escuelas.gov.ar/web/documentos/Arquitectura.pdf>, setting forth the design criteria for prototypes for urban, rural, and floating schools, classrooms, special classrooms, libraries, computer rooms, technology workshops, science laboratories, multiuse auditoriums, and restroom areas.

2. Component 2. Administration, audit, and evaluation (US\$5.56 million)

- 1.26 Program costs will include the financing of administration and supervision expenses (US\$3.30 million), institutional strengthening and training (US\$1.25 million), external audit (US\$560,000), and evaluation and monitoring of the operation's processes, outputs, and outcomes (US\$450,000).
- 1.27 The strengthening and training activities will be guided by the lessons learned (see [optional electronic link 6](#)) in implementing PROMEDU I and II. In this regard, they will support strengthening the use and systematization of information in instruction manuals for eligibility of works, coordination of the Ministry of Education and MPFIPyS information systems, educational planning, and analysis of alternatives for the best use and maintenance of infrastructure.²⁴

C. Key results indicators

- 1.28 The goal of the CCLIP is to improve educational equity and help to close the existing gap in educational opportunities for children and young people from different income strata. Its objectives include helping to: (i) achieve universal early childhood education for five-year-olds and expand coverage for four-year-olds; (ii) increase the proportion of young people who complete their secondary schooling; (iii) increase the proportion of students in primary schools with extended days; and (iv) enhance the internal efficiency indicators for secondary schools.
- 1.29 The third individual loan will contribute to this goal and these objectives as follows: (i) increase in early childhood coverage for the most vulnerable populations, creating 15,150 new slots; (ii) increase in extended-day primary school coverage by creating 11,160 extended-day slots in vulnerable areas; and (iii) increase in secondary school coverage by creating 38,880 slots serving the vulnerable population. It will also help enhance internal efficiency by improving learning conditions and opportunities (see Annex II).

II. FINANCING STRUCTURE AND RISKS

A. Financing instruments

- 2.1 The CLIPP amount is US\$3 billion, with a term of nine years and a Bank contribution of US\$2.7 billion. The total cost of this third individual program will be US\$311.11 million, of which the loan will account for US\$280.00 million, with a local counterpart of US\$31.11 million and an execution period of three years.

²⁴ The analysis confirmed that the infrastructure focus is appropriate but identified significant verification difficulties in the information systems.

Table II-1
Itemized costs in US\$ millions

Description	IDB	Local	Total
Component 1. Expansion of school infrastructure	275.00	30.55	305.55
School infrastructure (early childhood, primary secondary)	260.81	30.55	291.36
Equipment	14.19	-	14.19
Component 2. Administration, audit, and evaluation	5.00	0.56	5.56
Administration	3.30	-	3.30
Institutional strengthening and training	1.25	-	1.25
External audits		0.56	0.56
Evaluation and monitoring	0.45	-	0.45
Total	280.00	31.11	311.11

2.2 The loan will be disbursed according to the schedule shown in Table II-2.

Table II-2
Tentative disbursement schedule (in US\$ millions)

Source	2013	2014	2015	Total
IDB	50.40	152.32	77.28	280.00
Local	5.60	16.80	8.71	31.11
Total	56.00	169.12	85.99	311.11

B. Environmental and social risks

2.3 This operation will focus on the poorest children and young people. Consequently, it qualifies as a project that promotes social equity. No negative impacts are anticipated.

2.4 The program calls for building 240 small educational centers and was classified as a category B operation. The construction activity could generate environmental and social impacts common to this type of work, such as noise, dust, and solid and liquid waste. In view of this, the program plans to implement the relevant impact mitigation measures, described in the Environmental and Social Management Report (ESMR) (see [required electronic link 4](#)). This report was satisfactorily used during PROMEDU II and was revised to include lessons learned, during the design of this program.

C. Fiduciary risks

2.5 **Financial management.** The loan proceeds may be disbursed in the form of advances of funds, expense reimbursements, and direct payments to providers. In the case of advances of funds, disbursements will be based on expense projections for up to 180 days. The External Loan Executing Unit (UEPEX) system used in PROMEDU I and II will be applied.

- 2.6 Due to the experience and capacity of the executing unit, the risk identification and analysis process did not identify any fiduciary risks considered high. A mitigation matrix and an action plan were developed.
- 2.7 **Procurement.** The execution of PROMEDU I and II has consolidated the executing agency's work in terms of procurement and made it possible to strengthen the jurisdictions. The procurement plan will be managed through the online electronic system known as Procurement Plan Execution System (SEPA).
- 2.8 Procurement of works and goods and contracts for consulting services will be carried out in accordance with the Policies for the procurement of works and goods financed by the IDB (document GN-2349-9) and the Policies for the selection and contracting of consultants financed by the IDB (document GN-2350-9), both of March 2011, and pursuant to the specifications included in the loan contract and procurement plan. In addition, these documents will set forth the method of supervision for the procurement of works, goods, and nonconsulting services and the contracting of consulting services to be charged against the Bank's loan.
- 2.9 Notwithstanding the progress achieved, PROMEDU III will continue to train and strengthen the operating teams. In particular, it will strengthen the capacity of jurisdictions in the strategic planning of school infrastructure and subsequent maintenance. The program calls for conducting research and holding workshops at the provincial and national levels.
- 2.10 **Retroactive financing chargeable to the loan and recognition of expenditures chargeable to the local contribution.** Eligible expenditures incurred by the borrower in the construction of works and procurement of goods prior to the loan approval date may be retroactively financed by the Bank and charged to the loan proceeds in an amount of up to US\$28 million (10% of the proposed financing), and recognized by the Bank and charged to the local contribution in an amount of up to US\$3,111,000 (10% of the estimated local contribution amount), provided that requirements substantially analogous to those set forth in the loan contract have been met. Such expenses must have been incurred no earlier than 24 October 2012, the official program start date in the Bank's systems. Expenses incurred more than 18 months prior to the loan approval date will not be included under any circumstances.

III. IMPLEMENTATION AND ACTION PLAN

A. Summary of implementation arrangements

- 3.1 The borrower is the Argentine Republic and the executing agency will be the Ministry of Federal Planning, Public Investment, and Services (MPFIPyS). The MPFIPyS will be responsible for the program through the Coordination Unit for Externally Financed Programs and Projects (CUEFPP), which will have a specific executing unit.

- 3.2 The Ministry of Education will participate in the eligibility process for program works through its Infrastructure Bureau, and in monitoring and evaluation through the National Bureau for Information and Evaluation of the Quality of Education.
- 3.3 For their part, the jurisdictions will participate in the program through their relevant technical areas, which will submit the final project designs for works for eligibility and take part in the evaluation and award stages of the bidding processes. As in prior stages, participation in the program will be formalized through the signing of a participation agreement with the MPFIPyS, setting forth the minimum organization requirements and the responsibilities of the parties involved.
- 3.4 **Program Operating Regulations.** The Operating Regulations in effect for PROMEDU II will be adapted and used for this operation. These regulations are part of the loan proposal and define the specific duties of the executing agency, with a view to ensuring effective and efficient application of resources and guaranteeing fulfillment of contractual and policy provisions, with regard to the program's legal and procedural aspects and objectives. In particular, they include: (i) the specific execution arrangements; (ii) the financial and procurement management guidelines; (iii) the investment targeting and eligibility criteria; (iv) the programming and evaluation structure and process; (v) the results matrix; (vi) the risk mitigation matrix; and (vii) the model participation agreement for the jurisdictions (see [optional electronic link 2](#)). **Entry into force of the Operating Regulations will be a condition precedent to the first loan disbursement.**
- 3.5 **External audit.** The executing agency will annually submit the program's audited financial statements under the terms required by the Bank under its policies. The program may use the Auditoría General de la Nación [National General Auditing Office] (AGN) as an external auditor, as was done with PROMEDU I and II.
- B. Summary of arrangements for monitoring results**
- 3.6 **Program monitoring.** Program monitoring will be based on the Results Matrix, the annual work plans (AWP), the progress reports, and the onsite supervision plan. This will be supplemented with a periodic updating of the risk mitigation matrix. These instruments are to be used to carry out the planning, updating, and monitoring of program execution activities (see monitoring and evaluation arrangements, [required electronic link 2](#)).
- 3.7 **Analysis of outcomes.** In addition, the program's information system and its coordination with the DINIECE databases will be strengthened in order to create a consolidated database for the new infrastructure, including historical data on education. This will make it possible to analyze enrollment, retention, and graduation patterns for students attending new versus preexisting schools.
- 3.8 **Ex post cost-benefit evaluation.** An ex ante economic analysis was conducted of the social benefits associated with the operation, based on the increase in secondary school graduates and attendant wage benefits, and the cost reductions due to infrastructure, double shift, and access to early childhood education, over the

repetition rates in primary school. The results of the analysis show that the program has enormous potential. Thus, even highly conservative scenarios regarding potential benefits yield an expected benefit of US\$4.35 per US\$1 of investment, while the best-case scenario yields a US\$14.31 benefit per US\$1 of investment. The study shows the high economic return on the investments even without considering the positive externalities associated with them (see [optional electronic link 8](#)). Once the program has been completed, an ex post cost-benefit analysis will be conducted to verify the expected targets.

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives	Aligned		
Lending Program	Poverty reduction and equity enhancement.		
Regional Development Goals	Share of youth ages 15 to 19 who complete ninth grade.		
Bank Output Contribution (as defined in Results Framework of IDB-9)	Students benefited by education projects.		
2. Country Strategy Development Objectives	Aligned		
Country Strategy Results Matrix	GN-2687	i) Guarantee the inclusion and school retention of children and youth for vulnerable sector; ii) Total coverage for Kindergarten (for 5 years of age and increasing the incorporation of children of 3 and 4 years old) and secondary school.	
Country Program Results Matrix	GN-2696	The intervention is included in the 2013 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
	8.7		10
3. Evidence-based Assessment & Solution	9.9	33.33%	10
4. Ex ante Economic Analysis	8.5	33.33%	10
5. Monitoring and Evaluation	7.8	33.33%	10
III. Risks & Mitigation Monitoring Matrix			
Overall risks rate = magnitude of risks*likelihood	Low		
Identified risks have been rated for magnitude and likelihood	Yes		
Mitigation measures have been identified for major risks	Yes		
Mitigation measures have indicators for tracking their implementation	Yes		
Environmental & social risk classification	B		
IV. IDB's Role - Additionality			
The project relies on the use of country systems (VPC/PDP criteria)			
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			
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	Yes	Previous stages have improved the targeting process for infrastructure and the execution mechanisms.	
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 diagnose of the project contrasts enrollment rates at the preschool and secondary levels between the 1st and 5th income quintiles based on the permanent household survey of 2011. The government plans to introduce an extended school day for elementary schools, enrollment at 4 years old and compulsory education for secondary level to improve education outcomes. According to the government, these changes will result in the need for 4,146 new schools. The loan proposes to build 197 buildings creating more than 50,000 new places for children in zones with a high index of unsatisfied basic needs.

The results matrix shows a clear vertical logic. The new places for children in schools should result in higher enrollment rates in targeted areas and this should decrease the gap in school enrollment between the 1st and 5th income quintiles. The indicators in the matrix are SMART and have baselines and target values. Products have annual targets and costs are associated to each product. The relationship between costs and outputs year by year is not clear. However, all costs included add to the total for the project.

The project includes a cost-benefit analysis but not all costs in the project are included in the calculation. The proposed evaluation is differences in differences to detect improvements at the individual level. The risk of the project is categorized as low, the main risks are: lack of statistical information, protests or press that threat the credibility of the program, funding not sufficient to meet physical targets and that maintenance is not sufficient. Proposed mitigation activities include compilation of information by the executing unit, promotion of program activities and selection criteria, request for government funds if necessary and a strategy for sustainability.

RESULTS MATRIX

Project objective	The objectives of the project are: (i) to help increase the coverage of early childhood and secondary education for the most vulnerable population; and (ii) to support the policy for primary and secondary school retention and quality.
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Expansion of educational infrastructure						
Construction and outfitting of new educational buildings	Baseline	Year 1	Year 2	Year 3	Final target	Observations
Individual loan outputs						
New early childhood education places (slots) available	0		9,400	5,700	15,150	Estimates are 3 classrooms per center, with 25 children per classroom and 2 shifts per day. A total of 101 centers will be built, each with capacity for 150 students. Source: Annual report on program progress.
New primary education places (slots) available	0		2,520	8,640	11,160	Estimates are 6 classrooms per center, with 30 children per classroom. A total of 31 centers will be built, each with capacity for 360 students. Source: Annual report on program progress.
New secondary education places (slots) available	0		4,320	34,560	38,880	6 classrooms per center, with 30 children per classroom and 2 shifts per day. A total of 108 centers will be built, each with capacity for 360 students. Source: Annual report on program progress.
Individual loan outcomes¹						
Enrollment percentage at early childhood education centers built by the program and ready to operate in the 2015 school year, disaggregated by gender	0	0	0	90%	90%	Source: Program reports, based on DINIECE data. Number of beneficiaries—actual enrollment—at the new centers/number of slots created.

¹ These will be measured one year after completion of the program, i.e., in year four. Targets were estimated using data for historical enrollment behavior at new schools financed through PROMSE and PROMEDU I.

Construction and outfitting of new educational buildings	Baseline	Year 1	Year 2	Year 3	Final target	Observations
Enrollment percentage at primary schools built by the program and ready to operate in the 2015 school year, disaggregated by gender	0	0	0	70%	70%	Source: Program reports, based on DINIECE data. Number of beneficiaries—actual enrollment—at the new centers/number of slots created.
Enrollment percentage at secondary schools built by the program and ready to operate in the 2015 school year, disaggregated by gender				75%	75%	Source: Program reports, based on DINIECE data. Number of beneficiaries—actual enrollment—at the new centers/number of slots created.
Impact of CLIPP						
Difference in early childhood education attendance rates between the first and fifth quintile for the four-year-old population	25.7 (2011)				21.0	Source: Continuous Household Survey (EPH). The indicator shows the difference in percentage points between the rates for the two quintiles. It is calculated two years following completion of the operation. ²
Difference in early childhood education attendance rates between the first and fifth quintile for the five-year-old population	4.73 (2011)				3.0	The indicator shows the difference in percentage points between the rates for the two quintiles. It is calculated two years following completion of the operation. ³
Youths 18/20 years old in quintiles 1 and 2 who no longer attend school and did not complete high school	19.2% (2011)				16%	Source: EPH. The final goal is calculated two years following completion of the operation. ⁴

² The final impact targets were calculated assuming at least one third of the slots created would benefit the poorest quintile of the population.

³ See note 2.

⁴ The target was estimated assuming at least one half of the new slots would benefit the two poorest quintiles of the population.

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country: Argentina

Project number: AR-L1152

Name: Program to Support the Policy on Improving Equity in Education - PROMEDU III

Prepared by: Ignacio Vinocur and Gumersindo Velázquez (FMP/CAR)

I. EXECUTIVE SUMMARY

- 1.1 The Risk Management Guide for Sovereign-guaranteed Projects (RMG) was used for risk assessment purposes. The executing agency will be the Coordination Unit for Externally Financed Projects and Programs (CUEFPP) of the Argentine Ministry of Federal Planning, Public Investment, and Services (MPFIPyS), which has already created an executing unit to manage the program.
- 1.2 The program does not include financing by any other entity.

II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

- 2.1 The MPFIPyS's fiduciary systems are considered satisfactory, based on the ministry's experience in executing loans 1345/OC-AR-2, 1966/OC-AR-2, and 2424/OC-AR-2.

III. FIDUCIARY RISK EVALUATION AND MITIGATION MEASURES

- 3.1 Risk analysis (including fiduciary risk) was performed using the RMG method through a workshop including members of the executing agency. No significant fiduciary risks were identified and, based on the experience gained in executing similar programs, the risk at the executing agency level has been deemed low.
- 3.2 The applicable supervision modality for financial and procurement management was determined on the basis of the above. This supervision modality may change over the course of program execution based on the evaluations.

IV. CONSIDERATIONS FOR THE SPECIAL CONDITIONS OF THE CONTRACT

- 4.1 **Conditions precedent to the first disbursement.** Entry into force of the program's Operating Regulations approved by the participating entities in accordance with terms previously agreed upon with the Bank.
- 4.2 The executing agency will submit annual financial statements for the program, audited by the Auditoría General de la Nación [National General Auditing Office]

(AGN) or by an external auditing firm acceptable to the Bank, based on terms of reference to be previously agreed upon with the Bank.

V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

1. Procurement execution

- 5.1 Procurement will be conducted in accordance with the Policies for procurement of works and goods financed by the Inter-American Development Bank (document GN-2349-9) and the Policies for selection and contracting of consultants financed by the Inter-American Development Bank (document GN-2350-9), both of March 2011. In addition, the Bank and the executing agency agree to use the Procurement Plan Execution System (SEPA) for administration and management of procurement planning under the program. In the event of temporary connectivity problems and/or problems in loading information into the SEPA, a physical Excel format may be used on a provisional basis to ensure the existence of a current and approved procurement plan.
- 5.2 **Procurement of goods, works, and nonconsulting services.** Procurement of works, goods, and nonconsulting services generated under the program and subject to international competitive bidding (ICB) will be executed using the standard bidding documents (SBD) issued by the Bank. Procurement subject to national competitive bidding (NCB) will be executed using domestic bidding documents agreed upon with the Bank. The program's sector specialist will be responsible for reviewing the technical specifications for procurement during the preparation stage of selection processes. The procurement plan to be submitted by the executing agency will identify the selection processes involving direct contracting and those requiring bidder prequalification.
- 5.3 In addition, in ICB processes, the period indicated by Bank policies for submission of bids for works, goods, and nonconsulting services may be shortened by up to four weeks in the case of noncomplex procurement. This is particularly applicable to ICB for amounts slightly exceeding the lower threshold for ICB in Argentina and where no international participation is expected. The aforementioned period will be extended if requested by a potential bidder.
- 5.4 **Selection and contracting of consultants.** Consulting service contracts generated under the program will be executed using Requests for Proposals (RFP) issued by the Bank. The procurement plan will describe the selection processes, including services to be contracted through single-source selection.
- 5.5 For consulting services with an estimated budget of up to US\$200,000, the executing agency will promote the use of the selection method based on consultants' qualifications (CQS), as provided in paragraph 3.7 of the policies.
- 5.6 **Selection of individual consultants.** In the case of individual consultants, selection will be based on the provisions of Section V, paragraphs 5.1 to 5.4, of document GN-2350-9. Consultants hired to assist the executing agency during the program execution period may be contracted through single-source selection, as

provided in Section V, point 5.4 (a) of the aforementioned policy. For such purposes, the executing agency will provide the Bank with a list of consultants (terms of reference by position, when activities are recurring and have a similar scope to that of the execution period) who have been rendering services at the Central Executing Unit under loan 2424/OC-AR 2. Approval by the program's executive coordinator of a performance evaluation showing at least satisfactory results will be sufficient for the renewal of service contracts.

- 5.7 **Training.** The procurement plan describes the procurement applicable to program components that include training, which is contracted as consulting and nonconsulting services.
- 5.8 **Recurring expenses.** Recurring or operating and maintenance expenses required during the program will include: airfare (for such purposes, the national provisions of Decree 1191/2012 require the use of Aerolíneas Argentinas and Austral when traveling anywhere in Argentina and abroad), per diems, ground transportation, leasing and services; maintenance; building maintenance fees; office supplies, courier, and postage; cleaning services; computer supplies; insurance; telephone; and minor expenses required for operation of the executing agency. They will be financed by the program and will be incurred in compliance with the procedures reviewed and accepted by the Bank. Operating expenses do not include salaries of public-sector officials.
- 5.9 **Advance procurement/retroactive financing and recognition of expenditures.** Retroactive financing and recognition of expenditures for this purpose will be available for up to an amount equivalent to 10% of the proposed financing amount and 10% of the estimated local counterpart amount.

2. Table of threshold amounts (US\$ thousands)

Works			Goods			Consulting services	
International competitive bidding	National competitive bidding	Shopping	International competitive bidding	National competitive bidding	Shopping	International advertising Consulting	Short list 100% national
≥ 5,000,000	< 5,000,000 and ≥ 350,000	< 350,000	≥ 500,000	< 500,000 and ≥ 100,000	< 100,000	> 200,000	< 500,000

3. Major procurement processes

Activity	Type of bidding	Estimated date	Estimated amount US\$ thousands
Works			
Works subject to bidding processes – First call for bids. Will include approximately 45 primary and secondary schools and 40 early childhood education centers.	NCB	Quarter 2 - 2013	106,000
Works subject to bidding processes – Second call for bids. Will include approximately 45 primary and secondary schools and 40 early childhood education centers.	NCB	Quarter 2 - 2013	106,000
Works subject to bidding processes – Third call for bids. Will include approximately 20 primary and secondary schools and 12 early childhood education centers.	NCB	Quarter 3 - 2013	39,000
Bids will be solicited for 12 teacher training institutes.	NCB	Quarter 3 - 2013	40,000
Goods			
School furnishings in four regions (north, center, Cuyo, and south), in accordance with the schedule of works.	ICB	Quarter 2 - 2013	12,300
Provision of science laboratory sets at the primary and secondary school levels.	ICB	Quarter 3 - 2013	1,800
Consulting services			
Consulting for specific technical assistance on management, project, and evaluation issues. With the University of Buenos Aires on a continuity of services basis.	SSS	Quarter 2 - 2013	400

Type of bidding process: national competitive bidding (NCB), international competitive bidding (ICB), single-source selection (SSS).

4. Procurement supervision

- 5.10 Contracts subject to ex post review by the Bank will be as itemized in the following table and will be performed as set forth in Appendix 1 of the relevant policies. When the amounts involved are greater than or equal to those indicated in the aforementioned table, the contracts will be supervised on an ex ante basis. It should be noted that ex post reviews may be conducted for ICB when the executing agency so requests and is able to show technical and administrative capacity for managing the bidding process. Likewise, ex post reviews may include single-source procurement of works, goods, and consulting services listed in the procurement plan, as set forth in Appendix 1, number 4, of the procurement policies, provided that the assumptions for conducting single-source procurement under the relevant policies have been met.
- 5.11 Ex post review visits by the Bank will be conducted at least once every 12 months. Ex post review reports will include at least one physical inspection visit, when appropriate. It is worth noting that at least 10% of reviewed contracts will be subject to a physical inspection over the course of the program.

Thresholds for ex post review in US\$

Works	Goods	Consulting services	Individual consultants
< 5,000,000	< 500,000	< 200,000	< 50,000

Note: The threshold amounts 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 in the relevant procurement plan to the extent that this institutional capacity benefits from greater experience.

5. Records and files

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

VI. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

1. Programming and budget

- 6.1 The executing agency's budget has programmatic categories and other classifications by expense purpose (subitems), including personnel expenses; consumables; non personnel expenses; property, plant, and equipment; transfers; financial assets; debt service and reduction of other liabilities; and other expenses. Depending on their economic nature, items are current expenses, capital expenses, and financial applications. In addition, internal financing sources may refer to the national treasury, own resources, specific allocations, or internal transfers. External financing includes external transfers and external credit.
- 6.2 There are no problems in terms of management, local counterpart timing, or system delays expected to affect execution.

2. Accounting and information system

- 6.3 The executing agency will use the External Loan Executing Unit (UEPEX) system as its financial management system, which will be implemented at the central government level and at the provincial level. Accounting will be on a cash basis and International Financial Reporting Standards (IFRS) will be followed when applicable in accordance with established national accounting principles. The following financial reports will be required: (i) audited annual financial statements at 30 April of each year; and (ii) semiannual audit reports on procurement and disbursement processes at 28 February and 31 August of each year.

3. Disbursements and cash flow

- 6.4 The applicable policies will be 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).
- 6.5 Loan proceeds requested of the Bank in the form of advances of funds will be deposited in an account in dollars. These funds will then be converted to pesos

- based on operating needs and credited to an account in pesos exclusively for the project. Project expenses and investments will be paid from this account 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).
- 6.6 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.
- 6.7 Exchange rate to be used, as agreed upon with the executing agency, is as follows:
- a. Reimbursement of incurred expenses: The exchange rate indicated in Section 4.09, subsection (b) (i) of the General Conditions will be used for this purpose.
 - b. Settlement (advances of funds): The exchange rate indicated in Section 4.09, subsection (b) (i), will be used for this purpose.
 - c. Counterpart: The exchange rate indicated in Section 4.09, subsection (b) (i), of the General Conditions will be used for this purpose.
 - d. Disbursements in currencies other than U.S. dollars or Argentine pesos: In cases of direct payment and reimbursement of letter of credit guarantee, the equivalent to the loan currency will be determined based on the amount actually disbursed by the IDB.
- 6.8 Other specific requirements for financial management of projects that may need to be established in the contract or agreement to be signed with the Bank: Disbursements will be made as provided in Sections 4.03, 4.05, 4.06, and 4.07 of the General Conditions.

4. Internal control and internal audit

- 6.9 Internal control is performed by the Sindicatura General de la Nación [General Accounting Office] (the governing body of the internal control system), which conducts periodic internal audits of the various government agencies.
- 6.10 A manual of administrative procedures governing the processes and procedures to be carried out within the program framework will be prepared and implemented.

5. External control and reports

- 6.11 External control is carried out by the Auditoría General de la Nación [National General Auditing Office] (AGN) (governing body for external control), which may perform external audits of any national government agency. The AGN will fulfill the role of external auditor of the program.

6. Financial supervision plan

- 6.12 The initial financial supervision plan is based on risk and fiduciary capacity assessments conducted in accordance with onsite and desk reviews provided for

the project, and includes the scope of operational, financing, and accounting actions; compliance and legal aspects; frequency of supervision; and identification of the person in charge. The plan calls for an annual financial inspection visit. Disbursements will be reviewed on an ex post basis.

7. Execution arrangements

- 6.13 The borrower is the Argentine Republic and the PROMEDU III executing agency will be the MPFIPyS. The ministry will be responsible for the program through the Coordination Unit for Externally Financed Programs and Projects (CUEFPP), which will have a specific executing unit.
- 6.14 The Ministry of Education is in charge of the eligibility process for program works through its Infrastructure Bureau, and of evaluation through the National Bureau for Information and Evaluation of the Quality of Education.
- 6.15 For their part, the jurisdictions will participate in the program through their relevant technical areas, which will submit the final project designs for works for eligibility and take part in the evaluation and award stages of the bidding processes. As in prior stages, participation in the program will be formalized through the signing of a participation agreement, a model of which is part of the program's Operating Regulations.
- 6.16 The Operating Regulations, which are a part of the loan proposal, define the specific duties of the executing agency with a view to ensuring effective and efficient application of resources and guaranteeing fulfillment of contractual and policy provisions regarding the program's legal and procedural aspects and program objectives. In particular, they include: (i) the specific execution arrangements; (ii) the financial and procurement management guidelines; (iii) the investment targeting and eligibility criteria; (iv) the programming and evaluation structure and process; (v) the results matrix; (vi) the risk mitigation matrix; and (vii) the model participation agreement for the jurisdictions.

8. Disbursements

- 6.17 Disbursements will be made in the form of advances of funds pursuant to a financial plan spanning at most 180 days; these advances will be settled when at least 80% thereof has been expended. Disbursement requests will require a disbursement request form, the execution status, and a financial plan for the following 180 days. The financial management specialist may require additional information, such as: (i) itemized list of commitments; and (ii) reports on estimated physical and financial progress on the project. Settlement of advances must be submitted to the Bank with the following information: (i) disbursement request form; (ii) project execution status; (iii) reconciliation of Bank resources; (iv) itemization of payments; and (v) other reports helping to show progress on the project. The settlement documents need not include support documents for expenses incurred or payments made, but this will not imply Bank approval of such expenses or payments. The original support documents for such expenses must be available for review upon request by the Bank.