



The World Bank

Improving Inclusion in Basic and Higher Education Additional Financing (P179668)

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ARGENTINE REPUBLIC:

IMPROVING INCLUSION IN BASIC AND HIGHER EDUCATION ADDITIONAL FINANCING

ADDENDUM TO THE FIDUCIARY ASSESSMENT

November 22, 2022



1. **Executive Summary.** An assessment has been carried out on the proposed Additional Financing (AF) Program to develop an addendum to the Fiduciary Systems Assessment (FSA) for the parent Program for Results (PforR, P168911) in 2019. There are no additional programs included in the Expenditure Framework within the scope of the AF. There are no changes in the financial management systems assessed during preparation of the parent PforR. Country systems in place continue to be adequate. On the Procurement side, the national framework of procurement processes and procedures continues to be solid and transparent. Procurement implementation arrangements remain unchanged with respect to the parent Program. At the time, no procurement processes have been carried out. Thus, to date the Anti-Corruption Guidelines (ACGs) were not applied and there have not been any cases of fraud and corruption reported to the Program Implementation Unit (PIU) and/or investigations carried out.

2. **Planning and Budgeting.** Existing and additional programs follow a country system on planning and budgeting. The Ministry of Education has satisfactory procedures in place to plan Project activities and prepare related budgets and to collect information from the units in charge of the different PforR Program Budget Lines. The plans and budgets have been realistic, based on valid assumptions, and prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance (budget vs. actual variance analysis).

3. Table 1 below shows the adherence of the budgeted Program Expenditure and its execution to Government Priorities.

Table 1: Budget vis-à-vis Actual Expenditures, 2019-2021

<i>Budget vis-à-vis Actual Expenditures, 2019-21-Results Area 1</i>			
	FY 19 ¹	FY 20	FY 21
Actual Expenditure (million AR\$)	10,539	10,119	43,559
Original Budget (million AR\$)	10,585	10,064	73,498
Budget Outturn	99.6%	100% ²	59.3%
<i>Budget vis-à-vis Actual Expenditures, 2019-21-Results Area 2</i>			
	FY 19 ³	FY 20	FY 21
Actual Expenditure (million AR\$)	220	12	75
Original Budget (million AR\$)	239	36	47,6
Budget Outturn	92.4%	34%	100% ⁴

4. **Treasury Management.** There are adequate arrangements for transferring Program funding from the Ministry of Economy to the Ministry of Education, to ensure funds are made available in line with implementation plans and that funds are made available in an orderly and predictable. There have been no changes in the flow of funds assessed in the original FSA. It is concluded that the program uses a government treasury management system that works adequately.

¹ FY19 expenditures include since Program approval on November 14, 2019 to December 31, 2019.

² There are some other budget lines with the same program, but different activity that allows to compensate between them. Budget outturn is 100%.

³ FY19 expenditures include since Program approval on November 14, 2019 to December 31, 2019.

⁴ There are some other budget lines with the same program, but different activity that allows to compensate between them. Budget outturn is 100%.



5. **External Audit.** There are currently no outstanding or unsatisfactory audit reports.⁵ The first Project audited financial statements covering the Operation since effectiveness until December 31, 2020 faced many challenges to comply with the due date. The reasons for the delays were primarily related to the COVID-19 pandemic and the unfamiliarity – both at the Ministry of Education and the Supreme Audit Institution (*Auditoría General de la Nación*, AGN) – with the PforR instrument since this was the first PforR in Argentina.

6. The combined Audited financial statements as of December 31, 2020 were submitted to the Bank on October 4, 2022.⁶ This report was acceptable to the Bank. AGN issued unqualified opinions on the Program's financial statements. However, the auditors reported some internal control weaknesses, related especially to the award and payment process of PROGRESAR scholarships. The recommendations of AGN resulted in actions to strengthen this process included in DLI 11, such as: (i) the elaboration of an approved action plan of awarding, liquidation, and payments of scholarships; (ii) manuals and protocols sent to the Bank for the improvements laid out in the action plan; and (iii) a report describing the implementation of the action plan.

7. Because of the delays in the submission of the audited financial statements as of December 31, 2020, the 2021 audited financial statements are also expected to be delayed and the Bank therefore approved an extension of the deadline for the submission from June 30, 2022 to December 31, 2022. With the purpose of continuing to strengthen the AGN's capacity and knowledge for the PforR instrument, agreed actions are detailed in the Program Action Plan that include periodic training provided by the Bank to the AGN auditors and coordinators.

8. **Internal Control.** The existing internal control is considered adequate. There is an adequate segregation of duties between the different activities of the Financial Management (FM) fiduciary staff. The Program's policies and procedures are documented in the Project Operations Manual (POM). The POM comprises descriptions, flow charts, policies, templates and forms, user-friendly tools, and techniques. The approval and authorization controls continue to be adequate and are properly documented and followed with adequate safeguarding of Project assets.

9. The Program is also subject to internal audit by the General Syndicate of the Nation (SIGEN), which is the Federal Government's internal audit agency under the jurisdiction of the executive branch, as well as by the Ministry's own Internal Audit Unit (IAU). The Operation has not yet been subject to an internal audit review by SIGEN and/or the IAU; however, the PIU expects that the Program will be included in the IAU's work program for 2023. Furthermore, actions to improve the Program's internal controls are included in DLI 11 to strengthen the internal control environment, as described in the paragraph above. There have been no cases of fraud and corruption relating to the Operation that have been reported to the Ministry.

10. **Accounting and Financial Reporting.** The Operation makes use of both the Federal Government

⁵ The Operation's 2021 audit report will be due on December 31, 2022. Furthermore, the final audit report for the Argentina Second Rural Education Improvement Project (P133195), which closed in December 2021 and was implemented by the Ministry of Education, is due on December 22, 2022.

⁶ As agreed during the Operation's preparation, the audit report should be presented to the Bank as a single combined audit report, with different opinions for the PforR Component and the Investment Project Financing Component.



Software (UEPEX) designed for accounting and financial reporting of externally financed projects, as well as the e-SIDIF system to record the Operation's transactions and help provide the information for the Unaudited Interim Financial Reports (IFRs). The systems in place are strong and useful to record project transactions. The Operation's documented financial reporting responsibilities (that specify what reports are to be prepared, when they are to be prepared, and the periodicity of preparation and content) are being fulfilled. The IFRs have been submitted on a semester basis, with no major observations. The accounting and financial reporting work adequately within the Program.

11. **Disbursement arrangements.** Disbursement of Bank loan proceeds will be made at the request of the Ministry of Education upon achievement of Disbursement-Linked Indicators (DLIs). The loan proceeds will be disbursed upon the achievement of verified DLIs and are not dependent on or attributable to individual transactions or expenditures of the Program. There will be a total of 13 DLIs for the Operation. The financing amount allocated per DLI has been determined based on the relative importance of the indicator, to provide the incentive necessary to achieve the overall Program goals and outcomes.

12. **Verification protocols.** The verification protocols will respond to the nature of each DLI and ensure a credible method to assess their achievement. Verification of progress towards achieving the Operation's objectives and DLIs would be reviewed and assessed by a Verification Agent (VA) according to the verification protocols. Verification will be carried out as follows: (i) for the set of Disbursement-Linked Results (DLR) 1, which correspond to Prior Actions, the World Bank will carry out verification, based on information submitted by the ME; and (ii) for the set of DLR2-DLR6, an independent verification agent will be selected to carry out verification of one or more DLR, based on the nature of each DLR.

13. Disbursement requests or Withdrawal Applications (WA) will be submitted to the Bank by the Ministry of Education using the Bank's e-disbursement (Client Connection) system. A copy of the Bank's official communication, confirming the DLI achievement, should be attached to the disbursement requests.

14. **Advances and Prior Results.** The AF does intend to use the functionality of PforR Advances. The Bank may make an advance payment of up to US\$45 million (maximum) for one or more DLIs that have not yet been achieved. To request an advance, the Ministry of Education attaches a "request for advance" letter to the WA, as per the example included in the Disbursement Letter. When DLIs are achieved, the amount of the advance is recovered from the amount due to be disbursed under such DLIs. The advanced amount recovered by the Bank is then available for additional advances ("revolving advance"). When an advance has been provided and the DLIs are achieved and verified, the advance is always recovered first. If the amount allocated to a DLI that has been achieved and verified is larger than the advance, then the Bank will disburse the amount in excess of the advance through a Reimbursement (DLI Payment). The Bank requires that the Ministry of Education refunds any advances (or portion of advances) if the DLIs have not been achieved (or have been partially achieved) by the program closing date. In addition, an amount of US\$40 million of the Operation will be disbursed on account of Prior Results Financing.

15. The General Conditions state that if after the Closing Date, the Borrower fails to provide the Bank evidence satisfactory to the Bank, that the withdrawn loan balance does not exceed the total



amount of Program Expenditures (payments made on or after the Signing Date but before the Closing Date), the Borrower shall upon notice from the Bank promptly refund to the Bank such excess the amount of withdrawn balances. Due to exchange rate pressures, there is a risk that the amount of Program Expenditures once converted to US\$ may be insufficient to cover the withdrawn loan balance in US\$ terms. This risk will be closely monitored during implementation, not only during supervision missions, but also by review of the semesterly IFRs, coupled with the flow of funds and accounting arrangements described below.

16. The Bank may decide, without formally extending the Closing Date, to disburse or approve the use of proceeds of the loan for WAs received within six months after the Closing Date for DLIs achieved by Ministry of Education before the Closing Date. Upon request, the Bank may decide to extend the period for receipt of such WAs.

17. **Procurement Exclusions.** There are no potential high-value contracts identified in the proposed AF. The proposed AF is not expected to finance any contract at or above prevailing Operations Procurement Review Committee (OPRC) thresholds, which are at minimum US\$75 million for goods, information technology and non-consulting services and US\$30 million for consulting services.

18. **Procurement Processes and Procedures.** The national framework of procurement processes and procedures continue to be solid and transparent. Decree N° 1.023/2001 is the main legal text regulating procurement in the country, contains the set of rules of the National Procurement System (*Régimen de Contrataciones de la Administración Nacional*), and regulates procurement of goods, works, and services. The provisions in the legal framework and procedures are based on clear and mandatory rules, and as the rest of the procurement legal framework it is available and freely accessible by the public at Office of National Procurement web site www.argentinacompra.gov.ar.

19. **Program Action Plan (PAP):** The following actions were agreed to be included in the PAP:

Action Description	Source	DLI#	Responsibility	Timing		Completion Measurement
Provide training to AGN to continue strengthening the external auditors on the PforR instrument	Fiduciary Systems		Bank	Recurrent	Annual	Evidence of relevant people trained accordingly, and more quality in the external audit reports.