

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

ARGENTINA

BARRIO IMPROVEMENT PROGRAM

(AR-L1179)

**THIRD INDIVIDUAL OPERATION UNDER THE
CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS**

(AR-X1004)

LOAN PROPOSAL

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ELECTRONIC LINKS	
REQUIRED	
1.	Annual work plan (AWP) and program execution plan (PEP) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39460678
2.	Monitoring and evaluation plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39542461
3.	Procurement plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39459441
4.	Environmental and Social Management Report http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39460672
OPTIONAL	
1.	Economic assessment http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39459433
2.	Evaluation of the Barrio Improvement Program—CLP-2 (2662/OC-AR) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39459425
3.	Program Operating Regulations http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39459429
4.	Commitments under the Barrio Improvement Program—CLP-2 (2662/OC-AR) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39459439
5.	Analysis of compliance with the Public Utilities Policy http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39550916
6.	Evaluation of the Barrio Improvement Program—CLP-1 (1842/OC-AR) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36398670
7.	Safeguard Screening Form (SSF) and Safeguard Policy Filter (SPF) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39466824

ABBREVIATIONS

CCLIP	Conditional Credit Line for Investment Projects
CIP	Community initiative project
CLP-1	First individual operation under the CCLIP
CLP-2	Second individual operation under the CCLIP
CLP-3	Third individual operation under the CCLIP
FPA	Framework participation agreement
MEU	Municipal executing unit
NCU	National Coordination Unit
OEL	Optional electronic link
PCR	Project completion report
PEU	Provincial executing unit
PROMEBA	Programa de Mejoramiento de Barrios [Barrio Improvement Program]
REL	Required electronic link
SDUV	Subsecretaría de Desarrollo Urbano y Vivienda [Urban Development and Housing Division]
SEPA	Procurement Plan Execution System
UBN	Unmet basic needs
UEPEX	Unidades Ejecutoras de Préstamos Externos [Executing units for external loans]

PROJECT SUMMARY

**ARGENTINA
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Financial Terms and Conditions				
Borrower: The Argentine Republic			Flexible Financing Facility*	
Executing agency: Urban Development and Housing Division (SDUV) of the Public Works Department of the Ministry of Federal Planning, Public Investment, and Services			Amortization period:	25 years
			Original WAL:	15.25 years
			Disbursement period:	5 years
Source	Amount (US\$ million)	%	Grace period:	5.5 years
IDB (Ordinary Capital)***	200	90	Inspection and supervision fee:	**
Local	22	10	Interest rate:	LIBOR-based
Total	222	100	Credit fee:	**
			Loan approval currency:	U.S. dollars from the Ordinary capital
Project at a Glance				
Project objective: The objective of this operation is to improve the habitability of dwellings located in the country's shantytowns and unregulated settlements by legalizing land tenure, providing basic infrastructure, and fostering community development. This proposed third individual operation (CLP-3) is part of Conditional Credit Line for Investment Projects (CCLIP) AR-X1004, which aims to improve the quality of life and contribute to the urban and social inclusion of Argentine households in the poorest population groups residing in shantytowns and unregulated settlements.				
Special contractual condition precedent to the first disbursement: Entry into force of the Program Operating Regulations and annexes thereto under terms previously agreed upon with the Bank (paragraph 3.2).				
Special contractual condition for execution: Prior to the first transfer of resources, which will be provided on a nonreimbursable basis, the executing agency will have signed the framework participation agreement with the respective subexecuting agency, under the terms agreed upon with the Bank (paragraph 3.4).				
Exceptions to Bank policies: None				
Project qualifies as: SEQ [X] PTI [X] Sector [X] Geographic [X] Headcount [X]				

(*) Under the terms of 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.

(**) 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 policies.

(***) Disbursement of the loan proceeds will be subject to the following maximum limits: (i) up to 15% in the first 12 months; (ii) up to 30% in the first 24 months; and (iii) up to 50% in the first 36 months, in all cases as of the date the loan is approved by the Bank's Board of Executive Directors.

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problems addressed, and rationale

- 1.1 Argentina is one of the most urbanized countries in Latin America. According to estimates by the United Nations Human Settlements Programme, in 2014 more than 92% of Argentina's 40 million people lived in population centers of more than 2,000 inhabitants. The country's land settlement pattern has favored the concentration of inhabitants in major urban areas, including Greater Buenos Aires, with more than 14 million inhabitants, and other cities such as Córdoba, Mendoza, Rosario, and Tucumán. These population centers account for close to 50% of the country's urban population.¹
- 1.2 Argentina is contending with quantitative and qualitative deficits related to the provision of housing services, partly as a result of insufficient response by the formal housing market to growth in demand, particularly in low-income segments. The quantitative deficit, defined as unmet demand for housing arising from a combination of new households, households whose dwellings need to be replaced, and families that share housing, totals 1,256,000 households,² or 10.3% of existing households. As for the qualitative deficit, 2,157,000 households, or 17.7% of the total, are affected, meaning that their dwellings are built with substandard materials and lack basic services.³
- 1.3 Informal neighborhoods in Argentina provide access to housing to those who are not served by the formal housing market. These neighborhoods may be classified into two types: (i) shantytowns or *villas*, which are erected on illegally occupied public or private land, are generally located within cities, have irregular urban layouts, and lack basic services and public spaces; and (ii) unregulated settlements, which are generally located in the periphery of cities and are the result of illegal occupation or subdivision processes, generally having accessible urban layouts while lacking basic services and public spaces.
- 1.4 According to 2011 data from the Urban Development and Housing Division (SDUV), more than 430,000 families (or 3.5% of Argentine households) reside in shantytowns and unregulated settlements.⁴ These inhabitants have limited access to urban benefits, since informal neighborhoods are not recognized by provincial or municipal authorities and therefore lack land tenure security, basic urban services, green spaces, and social services. Many settlements are located in areas that are subject to environmental risks and their inhabitants are the most vulnerable and

¹ National Statistics and Censuses Institute, National Population, Household, and Housing Census, 2010.

² A dwelling needs to be replaced when it is deemed inadequate by virtue of being temporary or makeshift ([UN, State of the World's Cities Report 2010](#)).

³ Urban Development and Housing Division, Report on Argentina for the United Nations Human Settlements Programme, January 2015.

⁴ The number of families in shantytowns and unregulated settlements does not include the families that benefited from the preceding operations under the CCLIP, since, with the program's intervention, the neighborhoods are no longer informal.

socially excluded population group. In these informal neighborhoods, 46% of households have legal possession of their lots, but only 9% have property titles.⁵ Basic service coverage rates are 42% for water, 15% for sewerage, 16% for gas, 41% for public lighting, and 37% for paving.⁶ Trash collection is provided on a regular basis in 32% of informal neighborhoods. These areas also lack community amenities such as multipurpose rooms and sports facilities, which exist in 50% of the shantytowns and settlements. Only 24% of these neighborhoods include a plaza or park, which hinders community building and harmonious relations among neighbors. Furthermore, social services are also inadequate: primary education is available in 72% of informal neighborhoods, and health centers in 61% of these neighborhoods. Lastly, 64% of shantytowns and unregulated settlements flood at least once a year and 25% of them are located less than 10 meters away from a dump.⁷

- 1.5 The scarcity of basic urban services in shantytowns and unregulated settlements is primarily due to the limited capacity of provinces and municipios to invest in expanding the coverage of services under their responsibility.⁸ While arrangements vary among provinces, the municipios are generally in charge of providing water, drainage, sewerage, road infrastructure, public lighting, and trash collection services. Municipios execute only 8.3% of total consolidated public expenditure and this has proven insufficient to cover their urban responsibilities, since these funds have to finance 86% of the delivery of the above-described urban services.⁹
- 1.6 In short, although informal neighborhoods in Argentina face a multitude of problems, noteworthy among them are the lack of basic infrastructure, environmental sanitation, and community facilities, aggravated by legal uncertainty over land tenure for most families.¹⁰ These problems can be addressed through the comprehensive interventions promoted by this program, which involve regularizing neighborhoods, titling lots, implementing basic infrastructure works, and promoting community action. As shown by the previous operations under the Barrio

⁵ Acquiring legal possession of lots is the administrative process of registering the sales agreement for the lot at the municipio or at the office of the Provincial Housing Institute (IPV). A property title is defined as a title deed notarized by a notary public in National Property Registry. There have been cases in which, in order to provide land tenure security, the IPV and the National Public Land Commission have accepted sales agreements originating from illegal occupation and subdivision processes without regularization of the informal neighborhoods in question.

⁶ National Statistics and Censuses Institute, National Population, Household, and Housing Census, 2010.

⁷ Techo Argentina, [Survey of Informal Settlements, 2013](#).

⁸ In addition, there are few incentives for public utilities companies to serve informal neighborhoods in view of their inhabitants' limited ability to pay.

⁹ Based on data from the National Office of Consolidated Public Expenditure. Ministry of Economy of Argentina, 2005. Most recent information available. Consolidated public expenditure is understood to refer to total national government spending (net of transfers to provinces and municipios), plus total spending by provincial governments (net of transfers to municipios), plus total municipal spending.

¹⁰ Difficulties for families in obtaining legal certainty include: legal costs, knowledge of procedures, and willingness to go through the process.

Improvement Program (PROMEBA), a comprehensive project approach is essential for the success and sustainability of investments, ensuring that families can remain in their homes and guaranteeing their access to the benefits of the city.

- 1.7 **Experience of PROMEBA.** In Argentina, the Bank has been supporting this type of neighborhood intervention through CCLIP AR-X1004.¹¹ The general objective of the CCLIP is to improve the quality of life and contribute to the urban and social inclusion of Argentine households in the poorest population groups residing in shantytowns and unregulated settlements, with a view to benefiting 250,000 households. Two loan operations (1842/OC-AR and 2662/OC-AR) have been financed under the CCLIP for a total amount of US\$750 million. Prior to the CCLIP, the Bank financed PROMEBA I (940/OC-AR) in the amount of US\$102 million.
- 1.8 The first PROMEBA operation benefited 60,569 families. CLP-1 (1842/OC-AR), completed in 2012, benefited 71,888 families residing in 105 shantytowns and settlements through a total investment of US\$350 million. CLP-2 (2662/OC-AR), currently in execution, has total financing of US\$400 million and is expected to benefit 67,087 families in 91 settlements.
- 1.9 **Outcomes of previous programs.** All neighborhoods benefitting from the program to date show positive outcomes. The Project Completion Report for CLP-1 and the external evaluation of CLP-2¹² highlight the reduction in the unmet basic needs (UBN) indexes in the examined neighborhoods.¹³ In the CLP-1 projects, the UBN index fell from 88.2% to 54% of households, while in CLP-2 the index fell from 85.6% to 42% of households. The titling results indicate that this is a long-term process implemented in successive stages. With CLP-1, 68% of households in the targeted neighborhoods achieved legal possession of lots; with CLP-2, 44% of households achieved legal possession. In the two operations combined, property titles were obtained by 27% of households in the targeted neighborhoods. Health and morbidity indicators in the beneficiary communities improved in all cases, meeting the expected 15% reduction in households affected by these problems. The residential satisfaction indexes improved by more than 25%, while the rootedness indexes show that more than 77% of households wish to remain in the neighborhood following the intervention. Lastly, more than 90% of the works are properly maintained.

¹¹ Approved by means of resolution DE-5/07 for US\$1.5 billion, with a 25-year term for use of the line of credit through four individual operations.

¹² The evaluation of operation 2662/OC-AR examines 10 interventions initiated under loan 1842/OC-AR and completed under loan 2662/OC-AR.

¹³ Argentina's unmet basic needs index considers the following indicators: overcrowding, housing quality, household sanitation services, school attendance, and income and education level of the head of household. The figure of 88.2% indicates the percentage of households with at least one of these indicators of deprivation.

- 1.10 Advances to date on operation 2662/OC-AR show that 125 neighborhoods have been regularized and 22,550 dwellings are connected to water, sewerage, gas, and electricity services (26% of the program's final target). The provincial and municipal executing units (PEUs and MEUs, respectively) have produced 2,300 final design documents, with detailed drawings and technical specifications, for the bidding process for works under the comprehensive projects¹⁴ (31% of the final target). Community development activities have been carried out in connection with the works, with field work teams conducting close to 3,000 workshops, training courses, and other events.¹⁵ The bidding processes for works have been completed ahead of schedule by 1.5 months. However, the average deviation in project completion time was 43%.¹⁶
- 1.11 The evaluations confirm the main characteristics of the program's intervention model: (i) adopt a multisector and interagency management approach, coordinating with other government agencies in the territory, making use of the field work teams and the neighborhood management boards; (ii) rely on the direct participation of municipios as the parties responsible for the design, implementation, and monitoring of the investments; (iii) promote coordination with provincial and municipal service providers to ensure proper operation and maintenance of the newly deployed public services; and (iv) use community initiative projects¹⁷ to address critical issues, such as the social and urban integration of the community and promotion of gender equity.
- 1.12 **Lessons learned from the CCLIP.** Starting with CLP-1, the interventions sought to cover larger urban areas in order to encompass pockets of urban exclusion that have historically been neglected. To achieve greater impact, the program modified its intervention model, developing general strategic projects for an entire area and defining the actions to be implemented in stages with financing from various tranches of the CCLIP and other supplementary resources.¹⁸ In addition, recognizing that interventions designed and carried out with community participation are more effective, proposals for community initiative projects are now targeted to the needs of each neighborhood. With regard to land tenure, obtaining property title requires an investment in time and resources that many beneficiaries are unable to make. However, legal certainty, defined as State

¹⁴ Comprehensive projects are multisector interventions in neighborhoods, including basic urban infrastructure works and connections, public spaces, community facilities, and supplementary works.

¹⁵ Analysis of the Project Monitoring Report for loan 2662/OC-AR at December 2014.

¹⁶ Deviations are measured on the basis of scheduled and actual execution time. The greatest deviations are observed in three projects delayed due to environmental conditions and in the final acceptance of works ([Evaluation of the Barrio Improvement Program III \(2662/OC-AR\)](#), p.49)

¹⁷ Community initiative projects are participatory activities that provide technical and social support for community groups and organizations and are designed in keeping with the specific needs of each neighborhood based on a diagnostic assessment. Such projects support works implemented under comprehensive projects. See the [Operating Regulations](#) for more details.

¹⁸ See Project Completion Report, AR-L1019 and [Construir Ciudades](#), Chapter 4, p. 131.

recognition of land tenure, is enough for the families to gain access to the city's formal processes.

- 1.13 **Challenges of PROMEBA.** The size of the informal urbanization problem in Argentina drives the program's continuity. It is estimated that close to 200,000 families have been served in earlier stages of the program and an additional 31,000 families will be served in the current stage.¹⁹ The program must continue to move forward in the process of physically and legally regularizing neighborhoods, promoting, in particular, land tenure by women and by both spouses in the case of couples.²⁰ It must also improve the environmental aspects, applying knowledge of sustainable urban development strategies to the comprehensive projects so as to include climate change adaptation components in addition to environmental mitigation. In view of the key role played by community participation, success factors associated with each type of community initiative project (CIP) should be identified in order to maximize outcomes and incorporate these factors into any new projects. Lastly, the performance of the subexecuting units must continue to improve in order to achieve greater efficiency in the execution of projects and ensure their sustainability.
- 1.14 **Rationale.** The third individual operation under the CCLIP is justified by the positive outcomes of PROMEBA in improving the habitability of dwellings in shantytowns and unregulated settlements in the country. The Argentine government's decision to give this program priority is based on these outcomes and on the program's success in reducing the qualitative housing deficit. The program's effectiveness is based on comprehensive and crosscutting interventions in the territory, supported by field work teams that address the urban, legal, social, and environmental aspects of project execution. The program is considered an example of good targeting of public expenditure, since it operates in the country's most disadvantaged urban areas, serving the poorest population groups. The program's executing unit has demonstrated its institutional capacity through the effective execution of CLP-1 and CLP-2. The program is also an example of effective collaboration between the national government and the provincial and municipal governments, complementing federal new housing construction programs (*Techo Digno* [Decent Roof] and *Villas*) and existing home improvement programs (*Mejor Vivir*) [Better Living].
- 1.15 The experience accumulated over the course of more than 25 years of support for neighborhood improvement programs in the region, through PROMEBA or others such as Rosario Habitat (1307/OC-AR), has been recognized in Bank publications

¹⁹ It is worth noting that the total number of settlements is not static; each year going forward new settlements may be created.

²⁰ Previously, the program did not address the gender dimension in titling. Studies have identified a gap in land tenure by women, estimating that women account for only 20% of property owners worldwide. Deere and Leon. 2001. Who owns the land? Gender and land-titling programmes in Latin America. *Journal of Agrarian Change* 1 (3), 440-467 and Ayalew et al. 2013. [The Price of Empowerment: Experimental Evidence on the Demand for Land Titles & Female Co-Titling in Urban Tanzania.](#)

and in external literature.²¹ Multiple studies confirm the positive impacts of basic infrastructure works and titling initiatives in marginal neighborhoods,²² particularly on real estate prices, increasing not only the investments that residents make in their homes but also the price of houses by 25% to 31% compared with a control group.²³ Studies examining the impact of titling on real estate values observe an average increase of 18% in Argentina compared with a control group and 23.5% in Ecuador.²⁴

- 1.16 **Consistency with Bank policies.** CLP-2 has fulfilled the requirements set forth in document GN-2246-4 for processing a new individual operation: (i) execution performance has been satisfactory and it is likely that the development objectives will be achieved (paragraphs 1.9 and 1.10); (ii) the borrower has complied with the contractual conditions and the fiduciary policies of the Bank; and (iii) the audited financial statements have been presented on a timely basis without qualification. Loan 2662/OC-AR has committed 75.2% of the proceeds, with signed contracts for US\$300.6 million ([OEL 4](#)) and 34.5% of the financing has been disbursed (US\$138 million). The difference between the committed and disbursed amounts is attributable to the execution of works with an 18- to 24-month time frame and decentralized management, which affects justification of funds.
- 1.17 The program complies with the financial sustainability conditions and economic assessment of the Public Utilities Policy (document GN-2716-4) and is consistent with the principles of that policy. The basic infrastructure works are socioeconomically viable (paragraph 1.28). The investment costs are covered by State transfers that are transparently allocated (paragraphs 2.8 and 2.9) and the purpose of which is to expand capacity in order to provide greater access

²¹ For example, IDB, 2009. [Construir Ciudades. Mejoramiento de barrios y calidad de vida urbana](#) [Building Cities. Improvement of informal neighborhoods and urban quality of life] Eduardo Rojas, editor; Almansi, F. 2009. Regularizing Land Tenure within Upgrading Programmes in Argentina; the cases of PROMEBA and Rosario Habitat. *Environment and Urbanization*, 21 (2) 389-413; [Evaluación Final del Programa de Mejoramiento de Barrios II, 2011](#) [Final evaluation of the Barrio Improvement Program II].

²² González-Navarro, M. and C. Quintana-Domeque. 2010. Urban infrastructure and economic development: experimental evidence from street pavement, IZA Discussion Paper 5346, November. Cattaneo, M. et al 2009. Housing, Health, and Happiness, *American Economic Journal: Economic Policy*, 1 (1): 75–105; Moraes, LRS, et al. 2003. Impact of drainage and sewerage on diarrhoea in poor urban areas in Salvador, Brazil. *Trans R Soc Trop Med Hyg.* 97 (2): 153-158. Impact evaluation of the Habitat Program in Mexico, 2012, IDB; An Impact Evaluation Study of the Upgrading of Informal Settlements Programme in selected projects in South Africa, 2011, World Bank; Indonesia: Evaluation of the Urban Community Driven Development Program, 2013, World Bank.

²³ Increase in land value is a good proxy for improvements in neighborhood habitability. Hourie, E. et al. 2015. The social value of municipal services. *Journal of Policy Modeling* 37:1 (in press); Hill, R.J. 2013. Hedonic price indexes for residential housing: a survey, evaluation and taxonomy. *Journal of Economic Surveys* 27:5 879-914; Chiarazzo, Vincenza, et al. 2014. The Effects of Environmental Quality on Residential Choice Location. *Procedia-Social and Behavioral Sciences* 162: 178-187.

²⁴ Galiani, S. and E. Scharfgrösky. 2010. Property Rights for the Poor: Effects of Land Titling. *Journal of Public Economics* 94 (9-10): 700–29. Lanjouw J. and P. Levy. 2002. Untitled: A Study of Formal and Informal Property Rights in Urban Ecuador, *Economic Journal*, 112, 986-1019.

(paragraph 1.21). To expand public services to eligible neighborhoods, the PEUs and MEUs obtain the necessary approvals and licenses of the service providers in each province and municipio. Once the works are completed, the subexecuting agencies sign works transfer agreements with the service providers (paragraph 3.4). The agreements include the commitment to operate and maintain the investments in accordance with the regulatory framework in force in the respective province or municipio and in terms consistent with the Bank's policies set out in the program's Operating Regulations ([OEL 5](#)).

- 1.18 **Strategic alignment.** The operation is included in the 2015 operations program and is aligned with the Bank's country strategy with Argentina 2012-2015 (document GN-2687), which identifies urban development as a priority area and underscores that the Bank's actions will be focused on support for neighborhood improvement programs that benefit low-income groups living in shantytowns and settlements. In addition, the [Urban Development and Housing Sector Framework Document \(document GN-2732-2\)](#) identifies comprehensive urban interventions with citizen participation as one of the Bank's operational lines of action. The program will contribute to the lending priorities under the Report on the Ninth General Increase in the Resources of the IDB (GCI-9) (document AB-2764) in terms of loans for (i) poverty reduction and equity enhancement, by addressing the basic infrastructure and social services deficits of the population with UBN, and (ii) climate change, renewable energy, and environmental sustainability initiatives, by incorporating sustainable urban development measures and environmental education actions. It will also contribute to the regional goals of: (i) infrastructure for competitiveness and social welfare by increasing paved road coverage and the number of households with electricity; and (ii) institutions for growth and social welfare by supporting subnational governments. Through these actions, the program is aligned with the sector strategies of Sustainable Infrastructure for Competitiveness and Inclusive Growth (document GN-2710-5) and Institutions for Growth and Social Welfare (document GN-2587-2).

B. Objectives, components, and cost

- 1.19 The objective of this operation is to improve the habitability of dwellings located in the country's shantytowns and unregulated settlements by legalizing land tenure, providing basic infrastructure, and fostering community development. This objective is consistent with CCLIP AR-X1004 (paragraph 1.7). The program is divided into four components:²⁵
- 1.20 **Component I. Legalization of land tenure (US\$2.5 million).** In order to address the property titles deficits and provide land tenure security, this component will finance technical assistance and other services aimed at achieving: (i) the physical regularization of the target area through legal studies, property surveys, and registration of new lots; (ii) legal regularization of lots as needed to transfer title to beneficiaries, including registration; and (iii) delivery of property titles to

²⁵ A detailed description of components and eligible expenditures is included in the [Operating Regulations](#).

beneficiaries of this program and the previous operations under the CCLIP (1842/OC-AR and 2662/OC-AR). Priority will be given to titling for women or for couples, with legal possession in the name of both spouses.

- 1.21 **Component II. Provision of infrastructure, environmental sanitation, and social facilities (US\$196 million).** This component involves implementing urban infrastructure for basic services in program eligible neighborhoods (paragraphs 2.8 and 2.9) by: (i) formulating final project designs, which consist of detailed drawings and technical specifications for the bidding processes for comprehensive project works; and (ii) executing the comprehensive projects, which are comprised of basic urban infrastructure networks and connections for water, sewerage, storm drainage, gas distribution, and electrification, along with the respective residential connections, and public lighting, sidewalk and road paving, public spaces and green areas such as plazas and parks, urban facilities such as bus stops and garbage bins, community facilities such as multipurpose rooms and child care centers, and supplementary and environmental mitigation works. When feasible, public lighting and community facilities will incorporate energy efficiency criteria designed in accordance with the bioclimatic conditions in the various regions of the country.²⁶ As a pilot experience, a comprehensive project will apply green infrastructure alternatives.
- 1.22 **Component III. Community development (US\$15.5 million).** In order to strengthen grassroots community organizations and ensure neighborhood residents' participation in all project phases, advisory services will be provided to the communities through community initiative projects aimed at: (i) providing sanitary, environmental, and urban development education (drainage maintenance, trash collection and disposal); (ii) encouraging neighborhood activities that foster social and urban integration (recreational, sports, and cultural activities); and (iii) containing and preventing risks in vulnerable groups (addiction prevention and preventive health promotion activities). Interdisciplinary field work teams will work on-site conducting participatory workshops and providing training, as well as facilitating coordination with government agencies, with a view to promoting access to social services.
- 1.23 **Component IV. Strengthening of management capacity (US\$4.5 million).** In order to strengthen the performance of the National Coordination Unit (NCU), PEU, and MEU teams, this component will finance technical assistance to train and strengthen the units in the technical and fiduciary processes related to the programming and execution of the comprehensive urban development projects financed by the program. Resources will be allocated for improving the information systems, particularly the program website, and for discussing and disseminating the program's experiences through an international seminar.

²⁶ Since 2013, elements to ensure energy efficiency in public lighting are being used in the execution of loan 2662/OC-AR, in a manner consistent with the National Program for Rational and Efficient Energy Use (PRONUREE) created by Decree 0140/2007.

- 1.24 **Management and administration (US\$3.5 million).** This includes NCU operating expenses, equipment, and management; specific consulting services required by the NCU; external auditing expenses; and consulting services for the evaluations.
- 1.25 **Cost and financing.** The proposed loan will be made to the Argentine Republic from Ordinary Capital resources. This program is the third individual operation under the CCLIP, for a total of US\$222 million, of which US\$200 will be financed by the Bank and US\$22 million will be provided by the local counterpart. (See Table 1, Cost).

Table 1. Cost and financing (in US\$ million)

Components	Bank	Local	Total	%
I. Legalization of land tenure	2.25	0.25	2.50	1.1
II. Provision of infrastructure, environmental sanitation, and social facilities	178.10	17.90	196.00	88.3
III. Community development	14.00	1.50	15.50	7.3
IV. Strengthening of management capacity	4.05	0.45	4.50	2.0
Management and administration	1.60	1.90	3.50	1.6
Total	200.00	22.00	222.00	100
%	90	10	100	100

C. Key outcome indicators

- 1.26 This program will serve 31,000 families living in 39 shantytowns and unregulated settlements. The impact indicator for assessing improvement in the habitability of shantytowns and informal neighborhoods will be the average value of property lots in the targeted neighborhoods. Other outcome indicators include: (i) number of families in the program neighborhoods that receive property titles and percentage of families that attain legal certainty in their land tenure situation, with lots recorded in the name of women or of both spouses in the case of couples; (ii) percentage of households with actual use of public services; (iii) percentage of community initiative projects satisfactorily implemented; and (iv) slippage between the time scheduled and actual time required to complete the works. The “beneficiaries of improved housing solutions” core sector indicator was added as a milestone for the output “comprehensive projects completed.” All other indicators and their respective projected values are shown in the Results Matrix (Annex II).
- 1.27 **Economic feasibility.** A cost-benefit analysis of a representative sample of the projects was conducted for the program’s economic assessment ([OEL 1](#)). This evaluation is based on a comparison of incremental costs and benefits, at efficiency prices, in with- and without-project scenarios. Benefits were estimated on the basis of the theory that an improvement in infrastructure conditions in the neighborhoods will lead to an increase in land value, and that this improvement is a proxy for the benefits generated by the comprehensive investments. The rise in value of the lots as a result of program interventions was estimated on this basis.
- 1.28 The analysis performed on the sample, using a discount rate of 12% and an evaluation horizon of 25 years, yielded a positive net present value equivalent to

US\$11.2 million (on an investment of US\$28.8 million at efficiency prices and total appreciation of US\$58.8 million) and an economic internal rate of return (EIRR) of 38.2%. In addition, the sensitivity analysis showed that, faced with cost increases of up to 15% and reductions in the impact of land appreciation of up to a similar percentage, the EIRR for the sample remains equal to or higher than the discount rate of 12%, confirming the robustness of these results in the face of unfavorable scenarios ([OEL 1](#), Table 6).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

2.1 **Modality and disbursement schedule.** This third operation under CCLIP AR-X1004 will be structured as a multiple works program, since it will finance several physically similar but independent projects, applying the eligibility and prioritization criteria described in paragraphs 2.8 and 2.9. The analyzed sample includes 17 projects that represent a total investment of US\$71 million, or 35.5% of the financing (paragraph 2.7), confirming that the program properly reflects the demand for investments in the 39 beneficiary neighborhoods. The planned period for commencing the works will be four years, and the disbursement period will be five years from the effective date of the loan contract (Table 2).

Table 2. Disbursement schedule (US\$ million)

Source of financing/ Year	1	2	3	4	5	TOTAL
IDB	30	30	40	80	20	200
%	15	15	20	40	10	100

2.2 In accordance with document AB-2990, the Bank's disbursement of the Ordinary Capital resources will be subject to the following maximum limits: (i) up to 15% during the first 12 months; (ii) up to 30% during the first 24 months; and (iii) up to 50% during the first 36 months, in all cases as of the date the loan is approved by the Board of Executive Directors. These limits may become inapplicable in the event that the Bank's policy requirements regarding such limits are fulfilled, provided that the borrower has been notified in writing.

B. Environmental and social risks

2.3 The program complies with the Bank's Environment and Safeguards Compliance Policy (OP-703); Disaster Risk Management Policy (OP-704); and Involuntary Resettlement Policy (OP-710), and has been classified as a category "B" operation. During the design stage, a social and environmental assessment of the program was performed jointly with the NCU to assess the environmental safeguards system implemented during CLP-2 (2662/OC-AR). The evaluation reported satisfactory compliance with the program's environmental and social procedures and the resolution of all environmental risk situations, such as landslide- and flood-prone areas. The procedures already specified in the Operating Regulations for loan 2662/OC-AR used for the environmental and social analyses of projects, the design

of the environmental management monitoring and supervision routines, as well as family resettlement procedures will apply when relevant.²⁷ Expected adverse impacts from the program will be temporary and moderate, and will be limited primarily to the execution of works phase. The program provides for the implementation of the relevant impact mitigation measures included in the Environmental and Social Management Report (ESMR)²⁸ ([REL 5](#)).

C. **Fiduciary risks**

- 2.4 The Urban Development and Housing Division (SDUV), which is the program's executing agency, has created a National Coordination Unit (NCU) within its administrative structure for the purpose of managing PROMEBBA. The NCU, which was created in 1997, has a structure and technical team that are consistent with the program's execution needs and the Bank's requirements. This operation is the third stage of the CCLIP in execution; consequently, the only fiduciary risk that was identified—assessed as medium—is the possibility of bookkeeping errors in execution expenditures charged to two sources of financing. To mitigate this risk, there will be: (i) controls to prevent changes in the source of financing once the payment source has been identified; (ii) reports indicating the total cost of the project, budget, and amount to be financed with each line and authorized by the project team leader; and (iii) reviews by the fiduciary sector.

D. **Other risks**

- 2.5 **Program risks.** Two risks have been identified in addition to the fiduciary risk described in paragraph 2.3. One is that the changes in government authorities during the life cycle of the operation may lead to some delays in execution.²⁹ Nevertheless, the likelihood that these changes will affect the program is deemed low, since the program's high degree of institutional entrenchment, citizen recognition, and transparency of operational information through its website ensure its continuity. In the event of political changes, it is common practice for the NCU to conduct onsite visits to acquaint the new authorities with the program.
- 2.6 Since the total program amount is smaller than originally anticipated for this tranche of the CCLIP and the pace of disbursements is limited in the first three years of execution (see Table 2), the demand for projects is likely to be greater than the supply of available resources, creating expectations that cannot be met. To mitigate this reputational risk, the NCU will conduct financial planning exercises with each of the subexecuting agencies to determine the pace of execution of the works, and will give them support in managing expectations at the territory level.
- 2.7 **Technical considerations.** The representative sample of projects analyzed is comprised of 17 projects with complete technical designs in the amount of

²⁷ The Operating Regulations ([OEL 3](#)) include guidelines for resettlement plans.

²⁸ The Operating Regulations will adopt the recommendations indicated in section VI of the ESMR.

²⁹ National, provincial, and municipal elections are scheduled for 2015 and 2020, when the program will be in execution.

- US\$71 million, which is equivalent to 35.5% of the anticipated financing. Nine projects from this sample, in the amount of US\$38 million, are beginning their bidding process under loan 2662/OC-AR, while the remainder will be tendered under CLP-3. There is also a preliminary portfolio of projects for 20 neighborhoods in 15 provinces for an estimated investment of US\$75 million (see [REL 1](#)). These projects provide continuity to comprehensive interventions carried out under previous phases of the program by moving forward on the remaining stages of infrastructure works, environmental sanitation, community facilities, and actions to regularize property. The average values of the interventions by lot and by region, set forth in Annex II to the Operating Regulations, are aligned with the experience from previous stages, and the mechanisms for updating these values are suitable.
- 2.8 **Eligibility criteria.** The projects should be viable in technical, economic, legal, environmental, urban, and social terms. In order to be able to participate in the program, projects will have to meet the following eligibility criteria, among others: (i) they combine physical and social interventions in the territory; (ii) resettlements affect a minimum of the families in the neighborhood; (iii) a majority of the neighborhood population is poor; (iv) investment costs per lot do not exceed the threshold value equivalent to the average cost per lot and per region; and (v) legalization of land tenure is feasible.
- 2.9 **Prioritization criteria.** Projects will be ranked according to the extent of infrastructure deficits, the social and urban impact of the intervention, the degree of consolidation and demographic density of the neighborhood, and the feasibility of resolving land tenure issues, including activation of services, resolution of environmental restrictions, and availability of land when resettlement is required. The Bank will verify compliance with the eligibility and prioritization criteria, which are specified in Annex II to the Operating Regulations.
- 2.10 **Financial and institutional feasibility.** The analysis performed by the Bank's fiduciary sector has concluded that the NCU does not have significant institutional, technical, or financial weaknesses; its human resources are well qualified and have the experience necessary to manage the operation with the PEUs and MEUs. The analysis of current and projected financial resources shows that program execution and the counterpart contribution are feasible since the counterpart funds will be provided by the national government and by the participating provinces.
- 2.11 **Sustainability of the interventions.** The program supports the sustainability of the interventions by: (i) transferring methodology and creating capacities to address unregulated settlement issues, which the provinces and municipios then replicate with their own resources for other informal neighborhoods; (ii) strengthening community organizations in the neighborhoods, promoting their coordination with social services; and (iii) signing agreements with the provincial and municipal authorities and the service providers to ensure the subsequent operation and maintenance of the works.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of the implementation arrangements

- 3.1 The borrower will be the Argentine Republic. The executing agency will be the Urban Development and Housing Division (SDUV) of the Public Works Department of the Ministry of Federal Planning, Public Investment, and Services, through its National Coordination Unit (NCU), which will be the core entity responsible for program coordination and execution of all the components.
- 3.2 The program will be executed in a decentralized manner by the participating provinces and municipios, as program subexecuting agencies. The provinces and municipios will propose projects for potential financing by the program in accordance with the criteria and conditions set out in the Operating Regulations, which will incorporate lessons learned in the execution of loan 2662/OC-AR. **A special contractual condition precedent to the first disbursement will be the entry into force of the Operating Regulations and annexes thereto under terms previously agreed upon with the Bank.** The Operating Regulations define the responsibilities of the subexecuting agencies to be included in the framework participation agreements, through which the provincial or municipal executive branch will accept the terms and conditions of the program and of the contract that the borrower will sign with the Bank.
- 3.3 The NCU will be responsible for coordinating and implementing the different actions and interventions and for serving as the SDUV's direct interlocutor with the Bank. It will also be responsible for the financial and accounting management of the operation. The NCU's principal functions and structure will be described in the Operating Regulations. The functions will include: technical and operational coordination, scheduling of interventions, project approval and financing, and supervision of formulation, execution, and evaluation.³⁰
- 3.4 In the subexecuting agencies, project management will be the responsibility of the PEUs as the management agencies of the provinces, or of the MEUs for municipal agencies, provided they have the institutional and technical capacity to do so, as assessed by the executing agency. The PEUs and MEUs may be strengthened with program resources. A special contractual condition of execution precedent to the first transfer of resources, which will be nonreimbursable, is the executing agency's signature of the framework participation agreement with the relevant subexecuting agency, under terms agreed upon with the Bank. The subexecuting agencies will sign a works transfer agreement with the service providers that will include a commitment to operate and maintain the investments in terms consistent with the Bank's policies (paragraph 1.17).³¹

³⁰ More details in the [Operating Regulations](#).

³¹ See [Operating Regulations, Annex IV.5](#).

- 3.5 **Financial management.** The loan proceeds may be disbursed in the form of advances, reimbursements, and/or direct payments.³² In the case of advances, disbursements will be based on a financial plan³³ to cover program needs for up to six months, and the minimum percentage required for replenishment of advances will be 70%. The Executing Units for External Loans (UEPEX) system will be used both at the NCU level and at the level of subexecuting agencies, thereby improving the efficiency and effectiveness of financial management. The UEPEX system is already in operation.
- 3.6 **Procurement.** The procurement plan will be managed through the Procurement Plan Execution System (SEPA), which has already been implemented. Works, goods, and consulting services will be procured in accordance with the Policies for the procurement of works and goods financed by the IDB (document GN-2349-9) and the Policies for selection and contracting of consultants financed by the IDB (document GN-2350-9), both of March 2011, as well as with the provisions of the loan contract and the fiduciary agreements and requirements (Annex III).
- 3.7 **Audits.** During the execution period, the NCU will present audited financial statements for the program on an annual basis, pursuant to the requirements established by the Bank in its policies. The audited financial statements will be presented within 120 days after the end of the fiscal year. The program's closing audit reports will be delivered within 120 days after the last disbursement. Audits for this program and previous programs under the CCLIP will be performed by an independent auditing firm pursuant to terms of reference prepared by the Bank.
- B. Summary of results monitoring arrangements³⁴**
- 3.8 The NCU has a tracking and monitoring system that makes it possible to determine agreed-upon output and outcome indicators at the project level, as well as the associated targets for each period. The PROMEBA website provides access to the master project files for all projects.
- 3.9 The following instruments will be used to monitor the program: the multiyear execution plan, annual work plans, annual execution and planning reports, and on-site supervision plans. To monitor fiduciary matters, the unit will continue to use the country systems implemented in previous stages, which were satisfactory to the Bank. All project transactions will be performed using the UEPEX system. The required financial reports are: (i) financial execution plan for the six months following the request for an advance; (ii) annual audited financial statements; and (iii) other reports that may be required by the Bank. Procurement will be monitored through the SEPA.

³² IDB Disbursement Manual, March 2015. Annex III. Disbursement methods (pages 1 and 2).

³³ For the Bank's loan, all the estimated month-to-month costs/expenditures, by investment category, for the period covered by the disbursement request; for the local counterpart and other sources, the resources they will contribute to the project during that same period (by investment category).

³⁴ The actions summarized in this section are described in greater detail in the [monitoring and evaluation plan](#).

- 3.10 The midterm and final reviews are the key milestones of the monitoring process. These reviews will include: (i) the financial execution results; (ii) the achievement of output and outcome targets; (iii) the degree of fulfillment of the environmental and operation and maintenance requirements for works; (iv) the degree of fulfillment of contractual commitments; (v) a summary of the findings of audits performed during execution; (vi) verification of compliance with the investment limits per lot; and (vii) a summary of lessons learned. The final report will include an ex post economic assessment using the same methodology as the ex ante assessment. The outcome indicators will be evaluated using the reflexive method. The basis for information will be the master project files, which are prepared for each neighborhood and monitor all interventions carried out during the program execution period through neighborhood surveys. Once accepted by the Bank, these reports will be made available to the public through the PROMEBA website.
- 3.11 The appreciation of lots (taking the effect of titling into account) will be measured as a program impact, using a quasi-experimental differences-in-differences method and measuring the indicator in a sample of lots both in targeted neighborhoods and in control neighborhoods before and after the works. A specialized firm will be contracted to determine the baseline of the impact indicator and to perform the final evaluation of the program.

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives		Aligned	
Lending Program		-Lending for poverty reduction and equity enhancement -Lending to support climate change initiatives, renewable energy and environmental sustainability	
Regional Development Goals		-Paved road coverage (Km/Km2) -Percent of households with electricity	
Bank Output Contribution (as defined in Results Framework of IDB-9)		-Households with new or upgraded water supply -Households with new or upgraded sanitary connections -Number of households with new or upgraded dwellings -Municipal or other sub-national governments supported	
2. Country Strategy Development Objectives		Aligned	
Country Strategy Results Matrix	GN-2687	Urban development: integral improvement of neighborhoods.	
Country Program Results Matrix	GN-2805	The intervention is included in the 2015 Operational Program.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
II. Development Outcomes - Evaluability		Highly Evaluable	Weight
		9.4	Maximum Score
3. Evidence-based Assessment & Solution		9.6	33.33%
3.1 Program Diagnosis		3.0	10
3.2 Proposed Interventions or Solutions		3.6	
3.3 Results Matrix Quality		3.0	
4. Ex ante Economic Analysis		10.0	33.33%
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis		4.0	10
4.2 Identified and Quantified Benefits		1.5	
4.3 Identified and Quantified Costs		1.5	
4.4 Reasonable Assumptions		1.5	
4.5 Sensitivity Analysis		1.5	
5. Monitoring and Evaluation		8.6	33.33%
5.1 Monitoring Mechanisms		2.5	10
5.2 Evaluation Plan		6.1	
III. Risks & Mitigation Monitoring Matrix			
Overall risks rate = magnitude of risks*likelihood		Medium	
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			
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Accounting and Reporting. Procurement: Information System.	
Non-Fiduciary			
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality	Yes	The program promotes gender equality by implementing actions to guarantee a gender-sensitive property titling process.	
Labor			
Environment	Yes	Urban upgrading interventions will improve environmental quality in target neighborhoods by incorporating mitigation and adaptation measures in accordance with urban sustainability strategies.	
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	Yes	The evaluation will generate data on land values in informal settlements for treatment neighborhoods both before and after the provision of basic infrastructure, and in a sample of control groups of similar informal settlements. This type of data is currently not measured systematically in Argentina and will provide further evidence on the influence of basic infrastructure and land titling in the valuation of urban land.	

The "Neighborhood Improvement Program" in Argentina (AR-L1179) has the objective of improving the living conditions of households in marginalized informal settlements in the country through the legalization of land tenure, provision of basic infrastructure and community development. This third operation falls within the CCLIP AR-X1004 line, which aims to improve the quality of life and contribute to the urban and social inclusion of Argentine households in the poorest segments of the population living in urban settlements.

The project presents a cost-benefit analysis that underpins the economic viability of the proposed activities. The logical framework presented in the POD is consistent, covering inputs, outputs, outcomes and impacts. The results matrix includes indicators for major outputs, outcomes and impacts of the program. The indicators in the results matrix meet SMART criteria and include baseline values and goals.

Based on the hedonic price theory, the program proposes the market value of land as a comprehensive indicator of final impact. The National Coordinating Unit will be responsible for performing or contracting the monitoring and evaluation of each component. The monitoring and evaluation activities have been budgeted and planned. The data sources for monitoring include municipal data, reports and certificates of completion of works, and reports generated by Integrated Information System Project PROMEBA. The program plans to implement a quasi-experimental evaluation of property prices using the methodology of differences-in-differences, in addition to reflexive comparisons without attribution and an ex-post cost-benefit analysis. A baseline and follow-up survey will be collected in treatment and control neighborhoods for the purposes of the evaluation.

RESULTS MATRIX

Program objective	The objective of this operation is to improve the habitability of dwellings located in the country's shantytowns and unregulated settlements by legalizing land tenure, providing basic infrastructure, and fostering community development. This third individual operation is part of CCLIP AR-X1004, which aims to improve the quality of life and contribute to the urban and social inclusion of Argentine households in the poorest population groups residing in shantytowns and unregulated settlements.
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Impact indicator	Unit of measure	Baseline	Baseline year	End of project	Comments and means of verification
Average value of lots in the targeted neighborhoods.	%	1	2015	1.2	Source: Census surveys in targeted neighborhoods and in a sample of control neighborhood before and after the program interventions. The change is measured by the formula $[(V_{T1}-V_{T0}) - (V_{C1}-V_{C0})] / (V_{C1}-V_{C0})$

Outcome indicators	Unit of measure	Baseline	Baseline year	End of project	Comments and means of verification
Component 1. Legalization of land tenure					
Property titles issued. ¹	Titles	0	2015	3000	Also includes property titles issued to beneficiaries who completed prior steps in the property titling process with support from previous loans (1842/OC-AR and 2662/OC-AR). Source: Reports by the provincial executing units (PEUs) and municipal executing units (MEUs) based on municipal and provincial records.
Families that attain legal certainty in land tenure situations in which the lot is listed in the name of women or of men/women on a shared basis. ²	%	0	2015	30	Measures the proportion of families with legal certainty, with the administrative document being in the name of a woman or of both spouses in the case of a couple. Includes lots of beneficiary families that completed prior steps in the legal certainty process under previous loans (1842/OC-AR and 2662/OC-AR). Source: Master project file based on municipal and provincial records.

¹ Possession of property title is defined as a title deed notarized by a public notary in the National Property Registry.

² Legal certainty means a document evidencing State recognition of tenure of a lot on the part of each of the families occupying it.

Outcome indicators	Unit of measure	Baseline	Baseline year	End of project	Comments and means of verification
Component 2. Provision of infrastructure, environmental sanitation, and social facilities.					
Households with actual use of public services.	%	0	2015	90	Once the works are completed the percentage of households that actually make regular use of basic services such as water, safe wastewater disposal, vehicular or pedestrian road access (including public transportation), trash collection, and public lighting in the main thoroughfares of the neighborhood is verified. Source: Master project files and final program evaluation surveys.
Component 3. Community development					
Community initiative projects (CIPs) satisfactorily implemented.	%	0	2015	90	Considered satisfactory when the presence of up to 80% of participants has been recorded and the original objective of the activity or project has been achieved. The original number of registered participants is compared with the number of participants who completed the CIP activities, and achievement of the CIP's original objective is verified. Source: Certificates of completion of each project prepared by the work team in the field and confirmed by the National Coordination Unit (NCU).
Component 4. Strengthening of management capacity					
Slippage between time scheduled and actual time required to complete the works.	%	30	2015	25	The baseline was determined on the basis of slippage times for current works under loan 2662/OC-AR. Source: PEU and MEU post-works reports.

OUTPUT INDICATORS									
Component 1. Legalization of land tenure									
	Unit	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Target	Comments and means of verification
Neighborhoods with regularized urban layout.	Neighborhoods	10	0	7	7	3	12	39	Neighborhood formally recorded at the municipio or province. Source: Municipal or provincial registry.
Lots with program-supported titling processes.	Lots	0	1,000	4,000	10,000	16,000	21,000	21,000	The titling processes include technical assistance, legal studies, etc., and take at least three years; consequently, the target is cumulative. Source: Master project files.
Component 2. Provision of infrastructure, environmental sanitation, and community facilities									
	Unit	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Target	Comments and means of verification
Final project designs produced by the PEUs and MEUs. ³	Projects	0	6	6	12	20	6	50	They are considered produced once approved by the NCU. They include projects to be executed in the following stage of the CCLIP. Source: Project approval by the NCU.
Comprehensive projects executed. ⁴	Neighborhoods	0	0	3	7	10	19	39	They are considered executed once preliminary delivery has been taken of the last works. Source: Certificates of works confirmed and reported by the NCU.
Beneficiaries of improved housing solutions.	Families	0	0	2,400	5,600	8,000	15,000	31,000	Measured by the number of families with improved housing in the form of regular water connection and use, safe wastewater disposal, vehicular or pedestrian road access, and public lighting in the main neighborhood thoroughfares. This is a core sector indicator and is included as a milestone for the comprehensive projects output. The teams in the field verify the number of lots with connection and use of basic services in the master project files. Source: PEU and MEU post-works reports and master project files.
Residential water connections with regular service.	Lots	0	0	1,300	1,800	1,300	1,800	6,200	Regular service means that the water is of good quality and the frequency of service is at least four days per week. Milestone for the Comprehensive Projects output. Source: Certificates of works confirmed and reported by the NCU.

³ Final project designs consist of a set of detailed drawings and technical specifications for the bidding processes for works under the comprehensive projects.

⁴ Comprehensive projects consist of multisector interventions in the neighborhoods, including basic urban infrastructure works and connections, public spaces, community facilities, and supplementary works.

	Unit	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Target	Comments and means of verification
Satisfactory residential sewerage connections.	Lots	0	0	3,700	5,500	3,700	5,600	18,500	The system is satisfactory when final disposal takes place in a regular network or through a safe treatment solution. Milestone for the Comprehensive Projects output. Source: Certificates of works confirmed and reported by the NCU.
Electricity systems installed.	Neighborhoods	0	0	2	3	2	3	10	System installation includes regularization of the works by the power companies. Milestone for the Comprehensive Projects output. Source: Works transfer agreement.
Public lighting in main access roads installed.	Neighborhoods	0	0	5	7	5	7	24	Main access roads are structural roads that establish connections with the city. Milestone for the Comprehensive Projects output. Source: Certificates of works confirmed and reported by the NCU.
Road and pedestrian networks built or improved.	km	0	0	27	41	27	41	136	Road systems include surface or underground drainage networks. Milestone for the Comprehensive Projects output. Source: Certificates of works confirmed and reported by the NCU.
Plazas and parks completed.	Number	0	0	6	9	7	9	31	These recreational spaces are considered completed when they are transferred to the respective municipios. Milestone for the Comprehensive Projects output. Source: Certificates of works confirmed and reported by the NCU.
Urban facilities installed.	Neighborhoods	0	0	5	9	6	9	29	They are considered installed when they are transferred to the respective municipios. They include garbage bins, landscaping, and bus stops. Milestone for the Comprehensive Projects output. Source: Certificates of works confirmed and reported by the NCU.
Community facilities installed and operating inside the neighborhood.	Number	0	0	6	10	7	10	33	They are considered installed when they are transferred to the respective municipios. They include community centers, multipurpose rooms, child care centers, etc. Milestone for the Comprehensive Projects output. Source: Certificates of works confirmed and reported by the NCU.
Supplementary works completed. ⁵	Number	0	0	3	5	3	4	15	They are considered completed when the relevant utility companies are regularized. Milestone for the Comprehensive Projects output. Source: Works transfer agreement.

⁵ Supplementary works are interventions aimed at connecting or supplementing the installed networks, such as sewage pumping stations and transformer substations.

Component 3. Community development									
	Unit	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Target	Comments and means of verification
Community initiative projects (CIPs) executed ⁶	Projects	0	0	3	11	13	14	41	Source: Certificates of completion for each project, prepared by the work team in the field and confirmed by the NCU.
	Unit	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Target	Comments and means of verification
Master project files completed by the work teams in the field. ⁷	Files	0	8	18	28	32	39	39	The master project files are opened at the start of each comprehensive project and are closed when the intervention is completed in each neighborhood; accordingly, this indicator is cumulative. The annual target includes the master project files opened in that period. Source: Master project files accessible through the program website.
Component 4. Strengthening of management capacity									
	Unit	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Target	Comments and means of verification
Executing unit officials and/or community actors trained.	Participants	0	200	200	200	500	500	1,600	Source: Records of attendance at training events.
Executing unit with technical support installed. ⁸	Executing unit	0	12	24	27	15	15	*	* Non-cumulative target. Source: Annual and final NCU reports.
Program website improved.	Applications	0	0	1	1	1	0	3	Add applications to the website for (i) loading master project files; (ii) search filters; and (iii) information downloading system. Source: Annual and final NCU reports.
Seminar on experience in neighborhood improvement in Argentina.	Seminar	0	0	0	1	0	0	1	Source: Annual NCU report.

⁶ Community initiative projects (CIPs) are projects that provide technical and social support to community organizations and groups and are designed in keeping with the specific needs of each neighborhood based on a diagnostic assessment. Examples of CIPs financed by the program include training for solid waste collectors, occupational certification for women, youth symphony orchestras, environmental education, and computer workshops.

⁷ Work teams in the field are multidisciplinary teams that address urban, social, environmental, and legal issues in the neighborhoods in which projects are being implemented.

⁸ Technical support for the executing units is provided by financing specific studies to complement the interventions and computer equipment.

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country: Argentina
Project number: AR-L1179
Name: Barrio Improvement Program
Prepared by: Teodoro Noel (FMP/CAR) and Brenda Álvarez Junco (FMP/CAR)

I. EXECUTIVE SUMMARY

- 1.1 The Procedures Guide for Risk Management in Sovereign-guaranteed Projects was used for risk assessment purposes. The Bank evaluated the capacity of the executing agency to implement procurement actions and determined that the overall program risk associated with the management of procurement processes is low.
- 1.2 An institutional capacity assessment was not performed because this is the fourth program of the same type being financed with this executing unit, with very positive results. From the fiduciary point of view, the only difference is that this time the Barrio Improvement Program III (PROMEBA III) (2662/OC-AR) would be receiving financing in parallel with operation AR-L1179 (PROMEBA IV), with some of the investment projects receiving financing from both loans.
- 1.3 The program does not involve financing from other multilateral agencies. However, it will be executed in parallel with PROMEBA III (2662/OC-AR).

II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

- 2.1 The National Coordination Unit (NCU) has experience in the execution of three programs financed by the Bank. At present, the Bank will be financing the fourth PROMEBA operation with the same executing unit. The fiduciary systems used for program execution are the budget system, through the Integrated Financial Information System (SIDIF), and the information and accounting system (UEPEX).

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 3.1 The risk assessment exercise identified the following fiduciary risk, which was determined to be medium: bookkeeping errors in execution expenditures charged to two sources of financing (2662/OC-AR and AR-L1179). This risk will be mitigated through: (i) controls to prevent changes in source of financing once the payment source has been identified; (ii) periodic reports indicating the total cost

of the project, budget, and amount to be financed through PROMEBA III or IV, authorized by the project team leader; and (iii) periodic review by the Fiduciary Sector.

IV. CONSIDERATIONS FOR THE SPECIAL CONDITIONS OF CONTRACTS

- 4.1 With a view to expediting contract negotiations by the project team and primarily by the Legal Department, below is a description of the agreements and requirements that should be considered in the special provisions or in the sole annex, as the case may be, and which may be updated or amended during program execution, if appropriate, once documented and authorized by the Bank:
- a. **Management of disbursements.** The executing agency will present a financial plan for the program in accordance with the guidelines agreed upon by the Bank and the country. The minimum percentage required for replenishment of advances will be 70% due to the decentralized nature of this program and the complexity of its execution (permanent adjustment).
 - b. The exchange rate to be used for rendering of accounts will be the one indicated in Article 4.10 section (b) (i) of the loan contract. For purposes of determining the equivalence of expenses incurred in local currency and chargeable to the local counterpart contribution or the reimbursement of expenses chargeable to the loan proceeds, the agreed-upon exchange rate will be the exchange rate in effect on the first business day of the payment month, as provided for in Section 3.03, option A, of the loan contract.
 - c. The two programs being executed in parallel will be audited by an independent auditing firm.

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 apply. In addition, it was agreed with the executing agency that the Procurement Plan Execution System (SEPA) would be used for the administration and management of procurement planning under the program. In the event of temporary connectivity problems and/or problems loading information into the SEPA, a physical Excel format may be used on a provisional basis to ensure that an approved procurement plan is in effect at all times.
- 5.2 Since this operation provides for provincial execution, with the exception of the information system, the country subsystems will not be used.

- 5.3 **Procurement of goods, works, and nonconsulting services.** For procurement processes conducted in accordance with the Bank's procurement policies, the procurement of works, goods, and nonconsulting services¹ subject to international competitive bidding (ICB) pursuant to the approved threshold amount for Argentina will be carried out using the standard bidding documents (SBD) issued by the Bank.
- 5.4 **Selection and contracting of consultants.** Consulting service contracts generated under the program will use the standard requests for proposals (RFP) issued by the Bank. 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 the consultant's qualifications, as provided for in the policies. The program's sector specialist will be responsible for reviewing the technical specifications for procurement during the preparation stage of selection processes.
- a. **Selection of individual consultants.** In the case of individual consultants, selection will take into account the provisions of Section V, paragraphs 5.1 through 5.4 of the Policies (document GN-2350-9). The direct selection method may be used for the contracting of consultants hired to assist the executing agency during the program execution period, as provided for in Section V, paragraph 5.4 (a) of the aforementioned policies. To this end, the executing agency will present to the Bank a list of the consultants who have been providing services at the central executing unit under loan 2662/OC-AR, along with the terms of reference for each position. For the renewal of service contracts, approval of the performance evaluation by the program's executive coordinator, to at least a satisfactory level, will be sufficient.
- b. **Training.** The procurement plan describes the procurement applicable to program components that include training, which is contracted as consulting and nonconsulting services.
- 5.5 **Recurring expenses.** Recurring costs or operating and maintenance expenses required for program operation and eligible for financing with Bank resources include: tickets; per diems, travel, office maintenance, mail service, stationery, and supplies, machinery and equipment maintenance, insurance, training expenses, graphic arts, printing, publications, and reproductions, rental equipment, and minor expenses required for operation of the NCU. These will be procured in accordance with the administrative procedures described in the program's Operating Regulations, which have been reviewed and accepted by the Bank.
- 5.6 **Advance procurement/ Retroactive financing.** There are no expenditures eligible for retroactive financing or recognition against the local counterpart contribution.

¹ Policies for the procurement of goods and works financed by the IDB (document [GN-2349-9](#)) paragraph 1.1: Nonconsulting services are treated as goods.

B. Main procurement processes

Activity	Selection method ²	Estimated date	Estimated amount US\$ (000)
Goods			
Furniture and hardware for the National Coordination Unit (NCU)	S	Oct 2015	30
Works			
Infrastructure, facilities, and environmental sanitation works in neighborhoods in the province of Mendoza	NCB	Oct 2015	4,960
Infrastructure and environmental sanitation works in neighborhoods in the province of Neuquén	NCB	Oct 2015	4,790
Nonconsulting services			
Surveys and subdivision of targeted neighborhoods in the province of Buenos Aires	S	Oct 2015	8
Surveys and subdivision of targeted neighborhoods in the province of Chubut	S	Oct 2015	3
Firms³			
External audit	QCBS	Jul 2015	70
Individuals			
Technical assistance to reinforce subexecuting units in the province of Buenos Aires	Short list	Jul 2015	64

5.7 The activities listed in the table of main procurement processes are included by way of example. For the program's 18-month procurement plan, see [REL 3](#).

C. Procurement supervision

5.8 The supervision method will be ex post, except in cases in which ex ante supervision is justified. In the event of procurement carried out through the country system, supervision will always be performed using the country system.

5.9 The supervision method will be determined for each selection process. Ex post reviews will be performed every 12 months in accordance with the program supervision plan. Ex post review reports will include at least one physical inspection, selected from among the procurement processes subject to ex post review. At least 10% of the contracts reviewed will be physically inspected.

² In the case of procurement performed through the country system, the selection method will be indicated in the relevant box.

³ In the case of consulting services, this means that the short list is comprised of firms of various nationalities. See Policies for the selection and contracting of consultants financed by the IDB (document [GN-2350-9](#)) paragraph 2.6.

Table of threshold amounts, types of process, and supervision method

Expenditure category	Amount (US\$000)	Procurement method	IDB review
Works	≥5,000	ICB	Ex ante
	<5,000 > 350	NCB	Ex post
	≤ 350	S	Ex post
Goods	≥500	ICB	Ex ante
	≤500 > 100	NCB	Ex post
	≤ 100	S	Ex post
Nonconsulting services	≥ 500	ICB	Ex ante
	≤500 > 100	NCB	Ex post
	≤ 50	S	Ex post
Consulting firms	>500	International short list	Ex ante
	≤500	100% national short list	Ex post
Individual consultants	See Section V of the Policy (document GN-2350-9)		Ex post

Note: The threshold amounts established for ex post review reflect the executing agency's fiduciary capacity for execution and may be modified by the Bank should there be a change in that capacity.

- 5.10 Supervision of the country system will consist of reviewing and monitoring the stability of the system and the validated practices that gave rise to its approval.

D. Records and files

- 5.11 The executing agency will keep the program records and files. Program reports will be prepared and filed using the agreed-upon formats or procedures set forth in the Operating Regulations.

VI. AGREEMENTS AND REQUIREMENTS FOR FINANCIAL MANAGEMENT

A. Programming and budget

- 6.1 The executing unit of the Barrio Improvement Program, responsible for formulating and programming the annual budget, is in charge of completing all procedures aimed at consolidating the annual budget for approval. As the need arises to expand or reallocate budget items, the executing unit requests the relevant changes and is responsible for processing their approval. Budget credits are executed by means of quarterly and monthly installments of accrual commitments, which are allocated by the National Budget Office (Finance Department of the Ministry of Economy and Public Finance).
- 6.2 No problems are expected in budget management, timeliness of counterpart contributions, or system delays capable of affecting program execution.

B. Treasury and management of disbursements

- 6.3 The National Treasury transfers the local counterpart funds to the executing unit into an account opened by the program exclusively for this loan, since this program is being cofinanced with Bank resources.
- 6.4 Disbursements will be made on the basis of a detailed financial plan, a model of which has been agreed upon with the Minister of Economy and the Cabinet Office.

C. Accounting, information systems, and reporting

- 6.5 The executing agency will use the UEPEX system as its financial management system. Accounting records will be cash-based and will observe International Financial Reporting Standards when applicable, in accordance with national accounting principles. 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 as required by the fiduciary specialists.

D. Internal control and internal audit

- 6.6 The national body responsible for internal control is the Sindicatura General de la Nación [Comptroller General of the Nation]. The internal audit of each executing agency is performed by the Internal Audit Unit. This unit reports directly to the minister and is responsible for performing audits and making recommendations in accordance with the authority conferred under Law 24,156 (Law on Financial Management and Control Systems) of 30 September 1992. The Internal Audit Unit of the Ministry of Federal Planning, Public Investment, and Services will perform the program's internal audits.

E. External control: external financial audit and project reports

- 6.7 In 2011, the Bank completed a diagnostic assessment of the governmental auditing practices of the Auditoría General de la Nación [Office of the Auditor General of the Nation] (AGN). This assessment was performed in accordance with Bank guidelines for determining the development level of public financial management systems, and led to the validation of the AGN as auditor of Bank projects. However, in October 2014, based on the AGN's record in terms of timely presentation of audited financial statements in recent years, the Bank and the Government of Argentina agreed to reduce the AGN's portfolio to reflect the entity's actual capacity to comply. Loan 2662/OC-AR (PROMEBA III) is being audited by an independent auditing firm under a contract that expires at the end of the 2014 fiscal year. The executing unit should therefore tender the auditing of operations 2662/OC-AR and AR-L1179 (PROMEBA IV) jointly, so that the same firm can audit both programs.
- 6.8 The audit will be performed on the basis of the new terms of reference prepared by the Bank, 2014 version.

F. Financial supervision plan⁴

- 6.9 The initial financial supervision plan was based on the risk and fiduciary capacity assessments carried out in accordance with the on-site and desk reviews planned for the program. It includes the scope of operational, financial, and accounting actions, compliance and legality, frequency, and responsible parties.
- 6.10 The reports that will be required in order to perform financial supervision, in addition to those required to process disbursements and the annual audit report, are the financial plan and periodic reports indicating the total cost of the project, budget, and amount to be financed under loan 2662/OC-AR (PROMEBA III) or the loan under AR-L1179 (PROMEBA IV), authorized by the project team leader.

G. Execution arrangements

- 6.11 The executing agency will be the Urban Development and Housing Division of the Public Works Department of the Ministry of Federal Planning, Public Investment, and Services, through its NCU, which will be the central entity responsible for coordinating the program and executing all program components.
- 6.12 Program execution will be decentralized and will be carried out through the participating provincial executing units and municipal executing units in their capacity as program subexecuting agencies. The provinces will propose potential investment projects to be financed through the loan in accordance with the criteria and terms described in the Operating Regulations.

H. Other financial management agreements and requirements

- 6.13 N/A.

⁴ See Financial Management Guidelines for IDB-financed Projects (OP-273-6) Annex I Applicability of financial management principles and requirements, Requirement 4 Financial supervision.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/AR

Argentina. Loan ___/OC-AR to the Argentine Republic
Barrio Improvement Program

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Argentine Republic, as Borrower, for the purpose of granting it a financing aimed at cooperating in the execution of a neighborhood improvement program, which constitutes the third individual operation under the Conditional Credit Line for Investment Projects (CCLIP) AR-X1004 approved on 31 January 2007 by Resolution DE-5/07. Such financing will be for an amount of up to US\$200,000,000 from the Ordinary Capital resources of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ___ _____ 2015)