

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

ARGENTINA

**CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP): WATER
AND SANITATION PROGRAM FOR THE BUENOS AIRES METROPOLITAN AREA
AND THE DISTRICTS IN THE FIRST, SECOND, AND THIRD RINGS OF THE
BUENOS AIRES CONURBATION**

(AR-O0004)

**SECOND INDIVIDUAL OPERATION: WATER AND SANITATION PROGRAM FOR
THE BUENOS AIRES METROPOLITAN AREA AND THE DISTRICTS IN THE
FIRST, SECOND, AND THIRD RINGS OF THE BUENOS AIRES
CONURBATION – TRANCHE II**

(AR-L1344)

LOAN PROPOSAL

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ABBREVIATIONS	
AySA	Agua y Saneamientos Argentinos, S.A.
BOD	Biochemical oxygen demand
CCLIP	Conditional credit line for investment projects
EIB	European Investment Bank
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
ESMS	Environmental and Social Management System
GHG	Greenhouse gas
MOP	Ministry of Public Works
MPN	Most probable number
NDC	Nationally determined contribution
PCR	Project completion report
PEP	Project execution plan
PNAPyS	Plan Nacional de Agua Potable y Saneamiento [National Water and Sanitation Plan]
SDFB	Sistema de Disposición Final Berazategui [Berazategui final disposal system]
SDG	Sustainable development goal
SOFR	Secured Overnight Financing Rate

PROJECT SUMMARY

ARGENTINA

SECOND INDIVIDUAL OPERATION: WATER AND SANITATION PROGRAM FOR THE BUENOS AIRES METROPOLITAN AREA AND THE DISTRICTS IN THE FIRST, SECOND, AND THIRD RINGS OF THE BUENOS AIRES CONURBATION – TRANCHE II (AR-L1344)

Financial Terms and Conditions							
Borrower: Argentine Republic				Flexible Financing Facility ^(a)			
Executing agency: Agua y Saneamientos Argentinos S.A. (AySA), acting under the aegis of the Ministry of Public Works (MOP)				Amortization period:		25 years	
				Disbursement period:		5 years	
				Grace period:		5.5 years ^(b)	
				Interest rate:		SOFR-based	
Source	Amount (US\$)	%	Credit fee:		^(c)		
IDB (Ordinary Capital):	150 million	80	Inspection and supervision fee:		^(c)		
Local:	37.6 million	20	Weighted average life:		15.25 years		
Total:	187.6 million	100	Approval currency:		U.S. dollars		
Project at a Glance							
Objective and description. The general objective of the program is to help improve the quality of life of the population living in the Buenos Aires Metropolitan Area and the districts in the first, second, and third rings of the Buenos Aires conurbation. The specific objectives are to: (i) expand the coverage of residential sewerage service; (ii) reduce nonrevenue water in the distribution systems in the areas of intervention; (iii) reduce the impact of wastewater discharge from the Berazategui Plant into the River Plate; and (iv) boost the efficiency of water and sanitation service delivery.							
Special contractual conditions precedent to the first disbursement. (1) signature of a nonreimbursable-funds transfer agreement between the borrower, represented by the MOP, and AySA on terms previously agreed upon with the Bank; (2) signature of an amendatory contract to loan contract 4268/OC-AR, introducing the modifications needed as a result of the redirection of the local contribution resources provided for in that loan contract to finance the Berazategui final disposal system (SDFB); and (3) the borrower, through the MOP, has submitted to the Bank a detailed plan of the actions needed to extend the term of AySA’s concession, including at least the timetable, resources, and responsible parties to finish processing this extension (paragraph 3.2).							
Special contractual conditions for execution. (i) In order for the works envisaged under Component 2(iii) of the program to be eligible for financing under the loan, the borrower, through the MOP, will submit evidence, to the Bank’s satisfaction, that the term of AySA’s concession has been extended for a period at least equal to the time needed to complete those works; and (ii) the borrower undertakes to effect the timely transfer of national budget resources to AySA in the event that rate revenues fail to cover AySA’s administrative and operation and maintenance expenses (paragraph 3.3).							
Environmental and social contractual conditions. These conditions are described in Annex B of the Environmental and Social Review Summary (ESRS) (link 2).							
Exceptions to Bank policies. None.							
Strategic Alignment							
Challenges: ^(d)	SI <input checked="" type="checkbox"/>		PI <input checked="" type="checkbox"/>		EI <input type="checkbox"/>		
Crosscutting themes: ^(e)	GE <input checked="" type="checkbox"/> and DI <input checked="" type="checkbox"/>		CC <input checked="" type="checkbox"/> and ES <input checked="" type="checkbox"/>			IC <input checked="" type="checkbox"/>	
Sustainable development goals (SDGs): ^(f)	SDG1 <input checked="" type="checkbox"/>	SDG2 <input type="checkbox"/>	SDG3 <input checked="" type="checkbox"/>	SDG4 <input type="checkbox"/>	SDG5 <input type="checkbox"/>	SDG6 <input checked="" type="checkbox"/>	SDG7 <input type="checkbox"/>
	SDG8 <input type="checkbox"/>	SDG9 <input checked="" type="checkbox"/>	SDG10 <input checked="" type="checkbox"/>	SDG11 <input checked="" type="checkbox"/>	SDG12 <input checked="" type="checkbox"/>	SDG13 <input checked="" type="checkbox"/>	SDG14 <input type="checkbox"/>
	SDG15 <input checked="" type="checkbox"/>	SDG16 <input type="checkbox"/>	SDG17 <input type="checkbox"/>				

^(a) 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, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

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

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

^(d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(e) GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

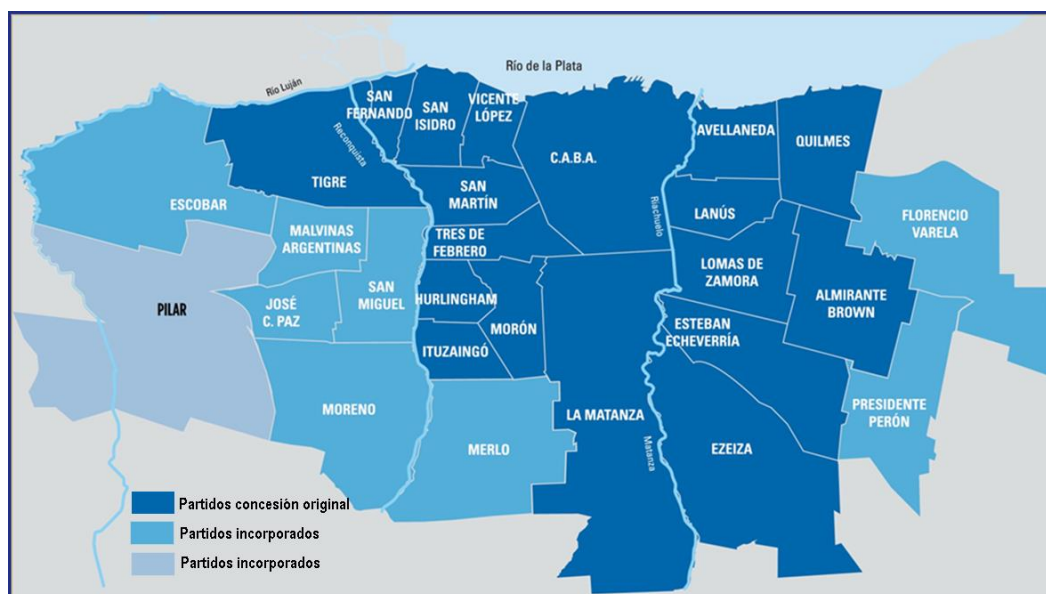
^(f) SDG (Sustainable Development Goal). More information on the SDGs can be obtained [here](#), and the IDB Group SDG Project Classification Methodology can be consulted [here](#).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem to be addressed, and rationale

- 1.1 **Introduction.** On 12 November 2008, the Bank's Board of Executive Directors approved a conditional credit line for investment projects (CCLIP) (AR-X1013) in the amount of US\$720 million for the "Water and Sanitation Program for the Buenos Aires Metropolitan Area and Conurbation" (Resolution DE-137/08). Loan operations [2048/OC-AR](#), [2613/OC-AR](#), and [3733/OC-AR](#), which addressed water and sanitation needs in the Autonomous City of Buenos Aires and 17 districts (*partidos*) in the Buenos Aires conurbation (paragraph 1.19), were approved under this CCLIP. The executing agency for these operations was Agua y Saneamientos Argentinos, S.A. (AySA).¹ On 29 August 2017, the Bank's Board of Executive Directors approved a new CCLIP (AR-O0004) in the amount of US\$960 million (Resolution DE-37/17), and a first individual operation under this line for US\$305 million (loan 4268/OC-AR),² to finance a portion of the investment needs identified in nine new districts that had been added to AySA's concession area in May 2016.²

Figure 1 –AySA concession area



¹ AySA was organized as a corporation in March 2006, pursuant to Presidential Decree 304/06, ratified in June 2006 through National Law 26,100, establishing that 90% of AySA is owned by the State, represented by the MOP, and 10% is held by AySA's officers.

² Through Law 14,830, the Province of Buenos Aires transferred jurisdiction over water and sanitation to the national government in eight districts located in the second and third rings of the Buenos Aires conurbation to expand coverage, improve service quality, and take advantage of AySA's management capacity. In addition, the district of Pilar, by assent, also decided to join the AySA concession, bringing the total number of districts to nine.

- 1.2 **Institutional framework.** The entity responsible for providing water and sanitation services in the Autonomous City of Buenos Aires and 26 districts in the Buenos Aires conurbation is AySA, which has held the concession for these services since 2006. AySA operates under the aegis of the Ministry of Public Works (MOP), which has nationwide jurisdiction over the water and sanitation sector, sets national policy and planning, and allocates investment resources to the sector through the Water Infrastructure and Policy Secretariat. Through National Law 26,221/2007 and the related Regulatory Decree 763/2007, the Argentine government approved the regulatory framework for the provision of water and sanitation services, creating the Planning Agency (APla), an autonomous entity responsible for coordinating and controlling the preparation of service expansion and improvement plans and projects. That law also created the Water and Sanitation Regulatory Authority (ERAS) to verify compliance with the concession contract, oversee service quality, and protect users' interests.
- 1.3 **Challenges in water and sanitation service coverage.** Nationwide, 88.6% [\[1\]](#)³ of the population has access to drinking water through a water supply network (89.6% in urban areas and 79% in rural areas),⁴ and 58.6% of the population has access to a sewer system (64.4% in urban areas and 9.1% in rural areas).⁵ These figures mean that 7.1 million people lack drinking water service and 23.8 million people lack sewerage service. In the area covered by AySA (namely, the Autonomous City of Buenos Aires with 2.9 million inhabitants, and 17 districts of the Buenos Aires conurbation with 7.8 million inhabitants), the coverage is approximately 86% for water and 65% for sanitation. However, these levels conceal access inequities, since 99.6% of the population in the Autonomous City of Buenos Aires receives drinking water through a water supply network, while just 80.9% do in the 17 districts of the Buenos Aires conurbation. In sanitation the disparity is more pronounced; thus, there is 98.7% coverage in the Autonomous City of Buenos Aires compared to 52.5% for the districts in the Buenos Aires conurbation.⁶ In the nine districts transferred to AySA, the situation is even more precarious: there, water coverage is 40.1%, while sanitation coverage is a mere 27%. In the district of La Matanza, water coverage is 36.03% and sanitation coverage is 25.19%. Within the Buenos Aires conurbation, the deficit in water and sanitation coverage increases the further away from the Autonomous City of Buenos Aires. These gaps are directly related to income levels. In the poor population segments, 64% of inhabitants have access to drinking water and 17% to sanitation, while 94% and 90% of the high-income segments have access to water and sanitation, respectively.⁷

³ See bibliographic references [\(link 12\)](#).

⁴ The remaining 11.4% obtains it by collecting rainwater or from cisterns or surface sources.

⁵ All told, 41.4% of the population disposes of its liquid waste through individual systems such as septic tanks, cesspits, and latrines.

⁶ Data from the 2010 National Population and Housing Census.

⁷ Based on an analysis of microdata from the National Statistics and Census Institute (INDEC)'s Continuous Household Survey for the third quarter of 2021 (most recent version available), drinking water coverage in poor population segments is 23%, while coverage in nonpoor population segments is 52%. The situation is similar in the case of sewer system coverage, which is 17% for the poor population segments and 44% for the nonpoor.

- 1.4 **Wastewater treatment.** It is estimated that less than 20% of collected wastewater is treated nationwide,⁸ while an estimated 81.4% is treated in the AySA concession area.⁹ In La Matanza, 52.2% of households with sewer service have their wastewater treated. The main reasons for this low treatment figure are the low level of investment and the infrastructure's limited capacity to expand service. This contributes to a deterioration of watercourses such as the River Plate [\[2\]](#) and the Matanza-Riachuelo [\[3\]](#) and Reconquista [\[4\]](#) rivers, the most polluted rivers in the country. The liquid waste discharged in Berazategui and in the streams that flow into the River Plate is one of the main contributors to this pollution.¹⁰ The problems in these basins are being addressed by AySA with financing from the Bank (paragraph 1.9) and other agencies.¹¹ These are fundamentally environmental problems, linked to the impact on the River Plate of disposing of wastewater through the current Berazategui sewage outfall,¹² which based on its length and design characteristics, does not meet the national dilution standard of 1/20 with concentrations of Escherichia Coli (less than 20,000 MPN/100 ml 90% of the time) and 30 mg/l biochemical oxygen demand (BOD). Currently it achieves dilution of 1/3, and concentrations are higher than the standard most of the time.¹³ To address this environmental and health challenge, AySA will construct a new sewage outfall (paragraph 1.13), to minimize the polluting effects¹⁴ on the River Plate caused by discharges from the current outfall and effects on the water intakes in the metropolitan area [\[5\]](#). This is also the most cost-effective solution [\[6\]](#) and will sufficiently increase the disposal capacity for expanding service to an additional two million inhabitants.
- 1.5 **Advances in AySA's management.** AySA has shown that it is firmly committed to continuously improving its management capacity. In 2019, it became certified under the [AquaRating](#)¹⁵ standard. It has made strides toward obtaining multiple management system certifications (including certifications under the ISO-9001 and ISO-14001 standards) for its technical as well as commercial operations or support processes.¹⁶ To identify areas for improvement, AySA conducts periodic user satisfaction surveys, the results of which indicate generally high satisfaction levels. In 2022, AySA updated its procurement rules of procedure and has launched a

⁸ National Water and Sanitation Plan ([PNAPyS](#)), 2016.

⁹ At the very least, the wastewater is pretreated before being discharged into the receiving bodies of water. Does not include the nine districts in the Buenos Aires conurbation transferred in 2016. The percentage of wastewater treated in those districts varies from 0% in Malvinas and José C. Paz to 53.5% in Presidente Perón.

¹⁰ Foro Rio de la Plata ([link](#)).

¹¹ AySA has operations with the World Bank, the Financial Fund for the Development of the River Plate Basin (FONPLATA), Development Bank of Latin America (CAF), and the European Investment Bank (EIB).

¹² There is a considerable contamination plume in the discharge area, measuring 1.5 km long and 600 m wide.

¹³ Under extreme conditions, the contamination plume may reach the raw water intake of the General Belgrano Water Treatment Plant, affecting the production of potable water.

¹⁴ Modeling done over 12 months (June 2009 to June 2010) using the two-dimensional Delft3D model shows that the solution adopted may achieve a dilution level higher than 20:1 90% of the time and BOD concentrations of less than 10 mg/l. P. Roberts and B. Villegas (2010).

¹⁵ AquaRating was developed by the International Water Association and the IDB to facilitate strengthening and improvement of water and sanitation operators. It was applied at 130 companies in 30 countries across all 5 continents, creating a database that makes it possible to perform business intelligence and benchmarking exercises while ensuring that the information remains confidential and anonymous.

¹⁶ AySA quality certificates ([link](#)).

process aimed at strengthening its electronic procurement management systems. Under the Guide for Acceptance of the Use of Country Procurement Systems (document GN-2538-35), and based on the relevant diagnostic assessment, the capacity of AySA's procurement system was confirmed. This enabled the Bank's procurement committee (CAP) to issue a technical opinion in favor of using this system, subject to AySA fulfilling the agreed-upon strengthening measures and notifying the Bank accordingly.¹⁷

- 1.6 **Quality and efficiency.** In addition to the challenge of investment to expand water and sanitation coverages, there continues to be a need to improve management of the water resource, ensure service quality and efficiency, and enable service expansion, particularly in the Buenos Aires conurbation. These needs are evidenced by: (i) high physical losses of water in the system, estimated at 39.6% in regulated sectors; (ii) low micrometering levels, estimated at 20% of users; (iii) high consumption (AySA estimates an average of 336 liters/day/inhabitant, while the averages in the region range from 100 to 220 liters/day/inhabitant)¹⁸; and (iv) a high system criticality index, with an average of 9 interventions per system kilometer per year when it should be 6 or fewer, resulting from the low network replacement rate (less than 1% per year, compared to over 2% in developed countries). This points up the need to work to optimize the distribution system by adopting an asset management approach [\[7\]](#) and innovating in processes and applied technologies,¹⁹ with a view to improving service for existing users and bringing service to new users with the same volume of water produced.
- 1.7 **Gender and diversity.** According to the National Water Institute (2020), women's share in decision-making positions in water and sanitation is less than 10%, except in AySA, where women account for 20% of the board of directors. In AySA as a whole, women's share is 23.5%, while in management, midlevel, project supervision, and lead positions it is 17.8%. In the company's technical areas, it does not exceed 20%. In 2021, only 22% of those who underwent management and leadership training were women. In view of this, there is a need to build a reservoir of female talent to boost the presence of women in key and decision-making positions. Law 25,689 provides for a 4% mandatory quota for employing persons with disabilities. The share of persons with disabilities at AySA is 1.2% and therefore needs to be increased ([link 9](#)).
- 1.8 **Climate change.** Argentina, because of its socioeconomic conditions and orographic, climate, and geographic characteristics, is vulnerable to the impacts of climate change. Between 1960 and 2010 there was an observable rise in the country's annual average temperature, with increases of up to one degree centigrade in certain areas of the Patagonian region. In terms of precipitation, the historical series show an increase in practically the entire country, with the largest increases being recorded in the east and in certain semiarid areas. Intense precipitation has also increased in terms of both frequency and intensity, particularly in the coastal wetlands. In view of this, the water and sanitation

¹⁷ CAP meeting 05/2022 of 4 May 2022. See also: Annex III, Section III.

¹⁸ PNAPyS, 2016.

¹⁹ Through operation ATN/JF-17189-AR, the Bank has been supporting AySA in testing and adapting cutting-edge technologies for leak detection and network management. These technologies will be scaled up using financing under this program (paragraphs 1.28 and 3.4).

infrastructure needs to take the above-described changes into account to prevent flood damage.²⁰

- 1.9 **Greenhouse gases (GHGs).** [The second Nationally Determined Contribution](#) (NDC) is aimed at limiting GHG emissions to a level 27% lower than under the previous NDC, committed to in 2016, and preparing a long-term, low-emissions national development strategy designed to achieve carbon-neutral development by 2050. According to Argentina's most recent [Biannual update report \(BUR3\) on GHG emissions](#), the country's total net emissions in 2016 were estimated at 364,436 Gg CO₂eq. [Law 27,520](#) on Minimum Climate Change Adaptation and Mitigation Budgets provided for creating a National Climate Change Cabinet as an interministerial coordination body tasked with reaching the agreements required to comply with the NDC goals and preparing two policy frameworks: (i) national climate change adaptation and mitigation plans, with a view to incorporating the adaptation and mitigation actions into the work plans of various government areas; and (ii) a long-term decarbonization strategy.
- 1.10 **Climate change adaptation.** The NDC has identified a set of 35 actions, notably including, with regard to the water and sanitation sector, the following: (i) boost the resilience of industrial areas and hubs against extreme climate events; (ii) manage water resources under a comprehensive approach to ensure their availability, sustainable use, and quality for their various human and natural uses in the face of the impacts of climate change; and (iii) foster environmental education and culture through awareness and knowledge of climate change impacts, risks, and vulnerabilities for an effective public policy of adaptation.
- 1.11 **Innovation and digital transformation.** Investments in digitalization and automation, as well as innovation and adoption of new technologies, improve the efficiency of service delivery ([DIA 2020](#))²¹ and make it possible to generate data in real time to inform decision-making, enabling improvements in service quality.²² Through its Innovation, Transformation, and Data Science Department, AySA is implementing an ambitious innovation and digitalization strategy ([AySA link](#)). The use of [AquaRating](#) tools related to innovation management has identified key activities for consolidating AySA's path to innovation. In addition, it has identified specific technological solutions, advanced procedures, and efficiency solutions.
- 1.12 **Evaluation of the first program under the CCLIP.** Sector CCLIP AR-O0004 was structured to finance three individual loan operations for a total of US\$960 million and a utilization period of 12 years, with the objective of expanding the coverage and improving the quality of water and sanitation services in the Buenos Aires Metropolitan Area and the districts in the first, second, and third rings of the Buenos Aires conurbation. The first operation under the CCLIP (loan 4268/OC-AR), structured as a specific investment program, was approved by the Bank in August 2017 for US\$542 million, US\$305 million of which is financed by

²⁰ Argentina is particularly vulnerable to climate change since it spans coastal, arid, and semiarid zones that are exposed to drought and desertification, as well as areas exposed to forest deterioration, susceptible to natural disasters, and home to fragile ecosystems. Projected changes in temperature with respect to the 1960-2010 period range from zero to 1.0 degree centigrade. The average rainfall projection models indicate marginal changes, ranging from -10% to +10%, with respect to historical patterns; however, they do project increases in extreme precipitation. The projections have a high degree of uncertainty ([Third National Communication](#)).

the Bank and US\$237²¹ million is the local counterpart, with an execution period of four years.²² It became effective in May 2018 and was deemed eligible in July 2019. By May 2022, 16% of the loan proceeds had been disbursed and 76.6% had been committed. While the program's degree of execution is lower than anticipated, this is primarily due to two external factors: (i) the implementation of an economic plan based on a balanced budget and on the agreement reached between the Argentine government and the International Monetary Fund in August 2018 to reduce the fiscal deficit, which placed constraints on the allocation of budgetary resources that prevented the start of bidding processes under the program; and (ii) the restrictions on movement imposed during the COVID-19 pandemic, particularly in 2020. Despite this, in the past year and a half, AySA has succeeded in quickening the pace of execution, making progress in terms of: (i) awarding the contract for the Berazategui final disposal system (SDFB); (ii) implementing a reduced rate in the context of the COVID-19 pandemic; (iii) starting the bidding process for the Las Catonas treatment plant; and (iv) carrying out water system renovation works and procuring metering and consumption equipment. Given the operation's degree of progress and commitment, it is anticipated that the program will achieve the expected outputs and outcomes ([link 11](#)).

- 1.13 **Berazategui final disposal system (SDFB).** This system, which was designed to dispose of wastewater from more than 1.3 million households, consists of a pretreatment plant,²³ a pumping station, and a subfluvial outfall. Under loan 4268/OC-AR, plans called for financing the subfluvial outfall at an estimated cost of US\$260 million, considering that the pumping station, which had an estimated cost of US\$60 million, had another source of financing at the time this loan was being prepared. However, this other financing was subsequently canceled by the government due to the fiscal restrictions in 2018 (paragraph 1.12). In May 2021, in view of the functional relationship between the two works to be executed (the pumping station and the subfluvial outfall), the Bank analyzed a proposal from AySA to include the pumping station as part of loan 4268/OC-AR and conduct a single bidding process for the SDFB for an adjusted amount of US\$375.6 million, US\$173.5 million of which was expected to be financed by local contribution, with an execution period of four years.²⁴ In July 2021, following a prequalification process, the bidding documents were sent to the six prequalified consortiums, several of which, using the consultation arrangements set out in the bidding documents, expressed concern and uncertainty as to the timely availability of the local contribution resources given the ample execution period for the works. Considering this situation, and to mitigate the perceived risk voiced by the potential bidders, the Argentine government, after consulting with the Bank, notified the participants prior to the submission of bids that the source of external financing for these works would be expanded. On 30 November 2021, the opening took place and three bids were received. The contract was awarded to the Constructora Queiroz Galvao SA – Rovella Carranza SA consortium for an estimated US\$320 million, lower than the originally calculated amount.

²¹ The Argentine government has a US\$31 million loan from the EIB to cofinance the local contribution.

²² The disbursement period was extended to May 2024.

²³ Commenced operations in 2014.

²⁴ These adjustments were documented in the respective [amendatory contract](#) for loan 4268/OC-AR.

- 1.14 **Program design strategy.** Considering that the coverage gaps (paragraph 1.3) are concentrated in the Buenos Aires conurbation, and specifically in terms of sewer service and wastewater treatment, this operation will prioritize expanding this service in the municipio of La Matanza and boosting the capacity for treatment and proper disposal of wastewater. In addition, the program will support innovation and digital transformation initiatives and plans for reducing nonrevenue water that AySA has been implementing and which are aimed at improving the company's management performance and operational efficiency.²⁵ Expanding water and sanitation services in the Buenos Aires conurbation is a priority for the national government, since this is one of the areas with the highest rates of indigence and poverty²⁶ and has high population growth.²⁷ This is particularly significant inasmuch as there is a positive link [8] between environmental quality, health [9],²⁸ and access to water and sanitation. The likelihood of contracting water-borne diseases decreases when there is water and sanitation service [10], which has an effect on reducing infant mortality [11]²⁹ and morbidity [12].
- 1.15 **Adjustments to loan 4268/OC-AR.** The borrower has requested, firstly, that the local contribution financing envisaged for the SDFB (paragraph 1.13) under loan 4268/OC-AR be redirected to other activities consistent with the objective of that loan, and secondly, that the SDFB financing be completed using Bank resources from this second individual operation under the CCLIP. This will reduce the private sector's perceived risk regarding the financing of the SDFB works in view of the country's current macroeconomic situation, the large scale of the contract in terms of amount and complexity, and the execution period for these works. Taking into account the awarded contract amount for the SDFB works, the adjustments to loan 4268/OC-AR, and the proposed financing for the present operation, the aforementioned SDFB contract would be fully financed with Bank resources (US\$208.9 million under loan 4268/OC-AR and US\$111.1 million under the present operation) (paragraph 1.13). By means of a minor modification of loan contract 4268/OC-AR, the local contribution resources initially provided for under loan 4268/OC-AR to finance the SDFB would instead fund less complex works (water and sanitation systems) designed to help expand the coverage of these services.
- 1.16 **Strategy for gender and diversity inclusion.** In view of the above-described gaps (paragraph 1.7), the program will finance: (i) development of an institutional policy with a diversity inclusion focus, incorporating a persons-with-disabilities perspective into the bidding terms; (ii) the existing gender policy will include a design of strategies for women's professional development, encouraging women's participation in management positions; and (iii) awareness-raising and training

²⁵ As highlighted in the [2020 Development in the Americas Report](#), the sustainability of the services is based not only on their infrastructure but on how these services are managed and regulated.

²⁶ The highest [concentration of poverty](#) is in the Buenos Aires conurbation. – Continuous Household Survey (EPH), second half of 2021; www.indec.gob.ar: 37.3% of the population lived in poverty and 8.2% was indigent.

²⁷ Population projections indicate that this region grew on average by 14% between 2001 and 2010.

²⁸ According to a [pilot impact evaluation carried out by the Bank in small communities in Bolivia](#), water and sanitation projects lower the incidence of diarrhea in children ages 6 to 17 by 10 percentage points.

²⁹ Galiani et al. (2002) found that water service access and quality improvement reduced infant mortality by 5% to 7% in areas with privatized services, and that this effect was greater (24%) in the poorest areas.

programs related to these policies (paragraph 1.28). For details of the strategy and its monitoring plan, see [link 9](#).

- 1.17 **Strategy for inclusion of climate change issues.** Based on the diagnostic assessment (paragraphs 1.8, 1.9, and 1.10), the program assists in mitigating GHG through: (i) investments in tools and infrastructure to recover physical losses and thereby reduce electric power consumption while at the same time boosting the resilience of the water systems; (ii) investments in sanitation infrastructure in Laferrere that reduce emissions by moving away from individual solutions to a centralized wastewater collection and treatment solution that generates lower emissions; and (iii) investments in a low-emissions solution by having to abandon the current sanitation solution in favor of another that complies with the new guidelines arising from regulatory changes and associated resolutions³⁰ (SDFB).
- 1.18 **Strategy to introduce innovation and digital transformation in AySA.** Taking into account the activities identified by using the [AquaRating tools related to innovation management](#), as well as the activities planned by AySA, the program will finance, among other things: (i) activities to strengthen the corporate governance structure in terms of innovation; (ii) development and application of smart micrometering technology solutions; (iii) development of agile methodologies; and (iv) expansion of the smart water-system management platform.
- 1.19 **The Bank's experience in the sector.** The Bank has ample experience in preparing and executing water and sanitation programs in Argentina. It has a [current portfolio](#) of 13 loan operations in execution, 10 of which are in the water and sanitation subsector, for a total of US\$2.690 billion, 33% of which has been disbursed. This program will follow the same strategy of comprehensive support for improving water and sanitation services in the country, particularly in the Autonomous City of Buenos Aires and the Buenos Aires conurbation: through CCLIPs AR-X1013 and AR-O0004 and technical cooperation operation ATN/JF-17189-AR, from which more than 122,000 households have benefitted with water and sanitation services to date;³¹ these operations are complemented by interventions in urban centers (AR-X1017); in small communities (AR-X1005); in the Reconquista and Uruguay river basins ([3256/OC-AR](#) and [4822/OC-RG](#), respectively); and in the provinces that form part of the Belgrano Plan ([2776/OC-AR](#) and [4312/OC-AR](#)). To date, these interventions have benefitted more than 720,000 households through water and sanitation services. In addition, support will continue to be provided to AySA for implementing its gender policy, where (labor) requirements have been added to AySA bidding documents. In this operation, these gender requirements will be complemented with the inclusion of considerations regarding persons with disabilities. Moreover, progress will be made in implementing AySA's gender policy by incorporating the design of strategies for the professional development of women (paragraph 1.16).

³⁰ [Resolution 520/14](#) – Water Quality Program in the Southern Coastal Strip of the River Plate.

³¹ See the project completion report for loan [2048/OC-AR](#) and the progress monitoring reports for loans [2613/OC-AR](#) and [3733/OC-AR](#).

- 1.20 **Lessons learned.** The program incorporates lessons learned from the previous operations executed by AySA (paragraph 1.1) and from other Bank-financed operations in the country³² and region.³³ These lessons notably include the following: (i) by initiating the bidding processes and referendum as soon as the loan enters into force, procurement can already be under way by the time the program becomes eligible. Once the loan is approved, AySA will initiate the bidding process for several works on a parallel track with the program's administrative signature and eligibility processes; (ii) providing for a minimum execution period of five years, given the average time frames needed for procurement and execution of the works, will reduce the likelihood of requests to extend the period for the final disbursement (paragraph 2.1); (iii) projecting a line item to cover price adjustments and contingencies prevents having to scale back the planned targets; a contingencies line item has therefore been included (paragraph 1.29); (iv) the stability of the staff responsible for AySA's previous operations has been one of the reasons for their success. This, coupled with continuous training of these AySA staff members (paragraph 1.28), will help to reduce delays or errors due to lack of knowledge of management procedures; (v) launching communication processes in advance helps to anticipate potential grievances; accordingly, the Bank has prepared a stakeholder participation and consultation plan that includes requirements aimed at preventing or reducing complaints of the type received in similar sanitation projects.³⁴
- 1.21 **National government strategy.** The program is aligned with the [Federal Water and Sanitation Plan](#), which proposes a comprehensive approach toward water and sanitation access for the entire population. On the path to universalization of services as provided in the Sustainable Development Goals (SDGs), this plan sets the intermediate target of attaining 88% water coverage and 66% sanitation coverage for the entire country by 2023. In addition, it prioritizes the sectors with the greatest health vulnerability and deficit in access to these services, which include the districts in the Buenos Aires conurbation.
- 1.22 **Fulfillment of eligibility conditions for the second operation under the CCLIP.** The program meets the requirements for individual operations under the CCLIP instrument (document GN-2246-9)³⁵ inasmuch as: (i) it falls within the sector of the CCLIP; (ii) it is included in the 2022 Operational Program Report (paragraph 1.32); (iii) the executing agency for the operation will be AySA, the entity currently executing the previous operation (loan 4268/OC-AR), AySA's performance remains satisfactory and its high capacity for execution has been verified (paragraph 1.12), it is an integral and sustainable part of the institution that manages the sector, i.e., the MOP (paragraph 1.2), and it has been implementing the monitoring and evaluation tools agreed upon with the Bank; (iv) the performance in executing the first operation, despite initial difficulties due to factors external to AySA (paragraph 1.12), has been satisfactory in terms of execution, and the development objectives are expected to be achieved following an adjustment of the results matrix in May 2021 and as reflected in the midterm

³² See completion reports for loans [2048/OC-AR](#) and [2343/OC-AR](#).

³³ See lessons learned in the [Water and Sanitation Sector Framework Document](#).

³⁴ Loans [3451/OC-AR](#) and [3249/OC-AR](#).

³⁵ CCLIP AR-O0004 was approved on 29 August 2017 and is therefore subject to the CCLIP policy provisions set out in document GN-2246-9.

evaluation; in addition, AySA has fulfilled the contractual conditions and Bank policies on fiduciary matters (paragraph 1.12); (v) more than 75% of the previous operation's resources has been committed (paragraph 1.12); and (vi) the previous loan operation's financial and operational reports, as well as the midterm evaluation, have been prepared and submitted in a timely manner and evidence an acceptable level of quality in terms of financial administration and operational control of the program.

- 1.23 **AySA's concession.** The works envisaged in this operation are located within the AySA concession area, and the plans indicate that they will be completed during the concession period³⁶ or extensions thereof, as required under CCLIP Agreement AR-O0004.³⁷ In the case of the pumping station and the SDFB outfall (paragraph 1.13), which are the only program works scheduled to be completed after the current concession expires (March 2026), the borrower has sent information to the Bank confirming that both the MOP and AySA are committed to taking the necessary steps to extend the concession, before it expires, for a period at least equal to the time needed to complete the works.³⁸ To monitor this commitment, the Bank will require a detailed plan of activities needed to extend the term of AySA's concession, including at least the timetable, resources, and responsible parties for completing the processing of the extension (paragraph 3.2). The studies required for this purpose may be financed by the program (paragraph 1.28). To monitor compliance with this plan, the MOP will include related information in the semiannual reports (paragraph 3.7). In addition, to ensure adherence to the aforementioned timetable and that execution takes place during the extension of the concession, the SDFB works will become eligible once the AySA concession is extended (paragraph 3.2). Thus, the pumping station and SDFB outfall works to be financed under this program will be executed during the concession's extension, as required under the CCLIP Agreement.
- 1.24 **Public Utilities Policy.** The program fulfills the financial sustainability and economic evaluation conditions of the Public Utilities Policy (document GN-2716-4) and is consistent with the principles of that policy. AySA covers its operation and maintenance costs and its financial obligations with revenue from

³⁶ Under the Binding Instrument between the National Government and AySA, approved through Resolution 170/2010 by the then Ministry of Federal Planning, Public Investment, and Services, the concession runs for a term of 20 years from the start date of service delivery (21 March 2006), and this term may be extended by mutual agreement between the parties.

³⁷ The CCLIP was established at a time when a process was underway to expand the concession area originally granted to AySA (paragraph 1.1). To ensure that the works to be financed under the CCLIP's individual operations would be located inside the AySA concession area, the processing of each individual operation subsequent to the first operation required that the borrower provide the Bank with "information confirming that the individual operation will be executed in areas incorporated into the AySA concession area and during the term of this concession or extension thereof."

³⁸ Through a letter dated 13 June 2022, AySA formally asked the MOP to begin the procedure for extending the concession. Through a note dated 1 September 2021, the MOP informed the Bank that, among other things, it is "taking all appropriate steps to bring about (...) the administrative act that will enable AySA to provide continuity of service and thereby lend greater legal certainty to relations with the entities that are financing actions implemented by the concession-holder, providing for a term that can encompass not only the completion of the works heretofore involved but also those which may in the future be included under the conditional credit line agreement (AR-O0004) currently in effect with your institution." The note is signed by the "Autoridad de Aplicación" [Enforcement Authority] for the AySA concession (Resolution 67/20222), which is "responsible for relations between the concession-holder and the national government," according to the Regulatory Framework for the AySA concession (Annex II, Art. 20.b, of Law 26,221).

rates and timely transfers from the national government (paragraph 1.38). The works to be financed are socioeconomically viable (paragraph 1.36). AySA's rate schedule includes a reduced rate for poor and vulnerable population segments (paragraph 1.37), there is adequate institutional organization (policy-setting, regulation, and service delivery) (paragraph 1.2), and there are accountability mechanisms that foster transparency ([link 8](#)).

B. Objective, components, and costs

- 1.25 **Objective and scope.** The general objective of the program is to help improve the quality of life of the population living in the Buenos Aires Metropolitan Area and the districts in the first, second, and third rings of the Buenos Aires conurbation. The specific objectives are to: (i) expand the coverage of residential sewerage service; (ii) reduce nonrevenue water in the distribution systems in the areas of intervention; (iii) reduce the impact of wastewater discharge from the Berazategui Plant into the River Plate; and (iv) boost the efficiency of water and sanitation service delivery.
- 1.26 **Component 1. Water supply system (US\$7.5 million in financing, US\$8.5 million in counterpart funds).** This component will contribute to objective (ii) by reducing physical losses in the water system through a sectorization of the networks and will finance: water network rehabilitation and renovation systems, procurement and installation of macro and micrometers, delivery and installation of water flow and pressure control equipment and, in the districts of Avellaneda, Morón, and San Martín, renovation of household connections.
- 1.27 **Component 2. Sanitation systems (US\$132.7 million in financing, US\$15.8 million in counterpart funds).** This component will contribute to objectives (i) and (iii) by expanding sewer service in the district of La Matanza and through adequate wastewater disposal in the Berazategui system and will finance: (i) construction of the main Laferrere Plant collector; (ii) primary and secondary networks and household connections in various districts of La Matanza; and (iii) the pumping station and SDFB outfall works.
- 1.28 **Component 3. Business management strengthening (US\$3.3 million in financing).** This component will contribute to objective (iv) through innovative actions aimed at making service delivery more efficient and will finance: digitalization of drawings, water supply and demand management tools, development of a smart micrometering prototype, implementation of the Innobox tool for agile technology development, procurement of computer equipment for internal communications, simulation software for education and training, and procurement of works inspection equipment. In addition, actions regarding gender equality and inclusion of persons with disabilities will be implemented, to boost those groups' participation in the company. Furthermore, technical, legal, and/or economic studies will be carried out as required for extending the term of AySA's concession.
- 1.29 **Program administration (US\$6.5 million in financing, US\$13.3 million in counterpart funds).** The following items are also included: (i) administration, supervision and audits, and evaluations, including the program's strategic evaluation; (ii) finance costs, interest, and commitment fees; and (iii) contingencies, to cover potential cost overruns of the works.

- 1.30 **Key outcome indicators.** The Results Matrix (Annex II) lists the program outputs and outcomes. Table I.1 shows the outcome indicators.

Table I.1 Key outcome indicators

Outcome indicator	Unit of measurement	Baseline (2022)	End of project
Water recovered through renovation of water networks in the areas of intervention	m ³ /day	0	9,455
Households in the La Matanza district, in the program intervention area, with a new effective connection to the sewer network	Households	0	3,800
Households whose wastewater is adequately disposed of through the SDFB		0	1,333,333
Dilution level of wastewater discharged into the River Plate by the SDFB	Dilution	1/3	1/20

- 1.31 **Benefits and beneficiaries.** Some 6.11 million inhabitants (equivalent to 1.58 million households) in the Buenos Aires Metropolitan Area and Buenos Aires conurbation are expected to directly benefit from the program through sanitation service, which will help to enhance the quality of life of this population, improving health, productivity, environmental sustainability, and social inclusion. Of these beneficiaries, 35,167 inhabitants (9,603 households) will benefit from potential access to sewer connections in the district of La Matanza, while some 150,000 residents of the Matanza Riachuelo basin will be potential future beneficiaries of an increase in transport and treatment capacity,³⁹ with concomitant benefits in health and wellbeing. In addition, the program is expected to benefit approximately 90,000 persons (23,000 households) through nonrevenue water reduction plans. AySA will also benefit from a strengthening of its management capacity.

C. Strategic alignment

- 1.32 **The Bank's country strategy with Argentina.** The program is aligned with the IDB Group Country Strategy with Argentina 2021-2023 (document GN-3051) in the priority areas of "Poverty reduction and social protection of the most vulnerable" and "Economic recovery and productive development 4.0." The program seeks to improve access to water and sanitation in the Metropolitan Area of the Autonomous City of Buenos Aires and the Buenos Aires conurbation, with a concomitant impact on health and hygiene (paragraph 1.21). The operation is included in Annex III of the 2022 Operational Program Report (document GN-3087).
- 1.33 **The Bank's institutional strategy.** The operation is consistent with the second Update to the Institutional Strategy 2020-2023 (document AB-3190-2) and is aligned with the development challenges of: (i) social inclusion and equality in a direct way, by financing investments that improve equitable access to water and sanitation in areas with high poverty rates and limited access to public services (paragraph 1.3); and (ii) productivity and innovation in a direct way, by financing innovation actions aimed at improving service efficiency (paragraph 1.28). It is

aligned with the crosscutting themes of: (i) gender equality, by promoting the development of women leaders in AySA; (ii) diversity, by promoting the development of an institutional policy with a persons-with-disabilities perspective (paragraph 1.16); (iii) institutional capacity and rule of law, by strengthening AySA's management capacity (paragraph 1.29); and (iv) climate change and environmental sustainability, by including measures to reduce GHG emissions (paragraph 1.17) and pollutant loads (paragraph 1.4) through wastewater collection, treatment, and disposal systems. For more information, see [link 7](#). All told, 98% of the program's resources are invested in climate change mitigation and adaptation activities, according to the [joint MDB methodology for tracking climate finance](#). These resources contribute to the IDB Group's target of increasing the financing for projects related to climate change to 30% of approvals by 2022. In addition, the operation will contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12) through the indicators on "Households with improved access to water and sanitation" and "Agencies with strengthened digital technology and managerial capacity."

- 1.34 **Other strategies and sector frameworks.** The program is aligned with the Strategy on Sustainable Infrastructure for Competitiveness and Inclusive Growth (document GN-2710-5) in the priority area of "Supporting the construction and maintenance of socially and environmentally sustainable infrastructure, thus enhancing quality of life." It is consistent with: (i) dimensions of success and lines of action under the Water and Sanitation Sector Framework Document (document GN-2781-8), namely universal access to water and sanitation, improved service quality, and social and environmental sustainability; (ii) the Climate Change Sector Framework Document (document GN-2835-8), namely the premise of dimension 4: "Countries make progress on mainstreaming climate considerations across sectors;" and (iii) the Gender and Diversity Sector Framework Document (document GN-2800-8), in terms of providing quality public services that promote gender equality or women's empowerment, as well as projects that support the social inclusion of persons with disabilities.

D. Viability analysis

- 1.35 **Technical viability.** The technical studies for the water and sanitation works to be financed were analyzed at the preliminary project level ([link 4](#)). The execution of similar projects by AySA in the first tranche of the CCLIP shows that the company's engineering and inspection practices enable compliance with the expected technical quality of the works. AySA will submit final designs for each works project prior to bidding.
- 1.36 **Socioeconomic viability.** A cost-benefit analysis was conducted on the projects to be financed under the program. The benefits and costs with and without intervention were compared to one another. The costs considered were incremental investment costs and operation and maintenance costs. The results of the analysis show that the operation is viable, with internal rates of return over 12%. The sensitivity analysis shows that the internal rates of return are stable, even when key variables are modified ([link 5](#)).

- 1.37 **Ability to pay.** The monthly charge for service was verified as being less than 5% of family income for the quintile corresponding to the program's beneficiary population, based on AySA's current rates and using the basic average payment for water and sanitation, assuming monthly residential water consumption of 30 m³. In addition, AySA's rate schedule includes a reduced rate for poor and vulnerable population segments ([link 5](#)).
- 1.38 **Institutional viability.** AySA's institutional capacity was assessed using the standard Institutional Capacity Assessment Platform methodology. It found that AySA satisfactorily meets the conditions for execution, having extensive experience and high management, technical, socioenvironmental, and fiduciary capacity to execute IDB projects.
- 1.39 **Financial viability.** The financial analysis indicates that: (i) the COVID-19 pandemic led to a suspension of the rate review, which under the country's macroeconomic circumstances, has significantly lowered the coverage of operating costs through rate revenue; (ii) to supplement the rate revenue, the national government has provided AySA with the necessary funds by means of transfers; (iii) with the funds provided by users and the national government, AySA has succeeded in maintaining good service delivery and moving forward with its investments (including expansions); and (iv) given the currently existing gap, recovering the rate level would require a continuous effort, and in the meantime it is essential that the country remain firmly committed to providing AySA with the resources it needs (paragraph 3.2). To ensure the financial sustainability of the investments, there will be a special condition for execution establishing the borrower's commitment to effect timely transfer of national budget resources to AySA if AySA's rate revenue fails to cover its administrative and operation and maintenance expenses (paragraph 3.2). To evidence fulfillment of this commitment, the borrower, through the executing agency, will submit AySA's financial statements within 180 days following the end of each calendar year.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 **Modality and financial structure.** This second operation under sector CCLIP AR-O0004 is structured as a specific investment loan since the program activities are clearly defined. It will be financed with resources from the Bank's Ordinary Capital for up to US\$150 million, plus a local contribution of up to US\$37.6 million, and will have a disbursement period of five years.
- 2.2 **Cost and financing.** The costs and financing of the operation are shown in Table II.1. See itemized budget in [link 1](#).

Table II.1 Estimated program costs (US\$ millions)⁴⁰

Components	IDB	Local	Total	%
Component 1. Water supply system	7.5	8.5	16.0	8.5%
<i>Network renovation</i>	5.9	8.5	14.4	
<i>Metering equipment</i>	1.6	0.0	1.6	
Component 2. Sanitation system	132.7	15.8	148.5	79.2%
<i>LaFerrere collector</i>	19.5	0.0	19.5	
<i>Secondary networks</i>	0.0	15.8	15.8	
<i>SDFB</i>	113.2	0.0	113.2	
Component 3. Business management strengthening	3.3	0.0	3.3	1.8%
Program administration	6.5	13.3	19.8	
<i>Administration, supervision, auditing, and evaluations</i>	0.0	3.0	3.0	
<i>Finance charges</i>	0.0	8.0	8.0	10.5%
<i>Contingencies</i>	6.5	2.3	8.8	
Total	150.0	37.6	187.6	100%

2.3 **Disbursement schedule.** The disbursement schedule for the reformulated operation is presented in Table II-2.

Table II.2 Disbursement schedule (US\$ millions)

Components	Year 1	Year 2	Year 3	Year 4	Year 5	% Total
IDB	10.7	11.4	49.1	69.2	9.7	150.0
%	7.1%	14.7%	47.4%	93.3%	100%	100%
Local contribution	6.4	11.5	8.4	6.7	4.5	37.6
%	17.1%	47.8%	70.2%	88.0%	100%	100%
Total	17.1	22.9	57.5	75.8	14.2	187.6
%	9.1%	21.4%	52.0%	92.4%	100%	100%

B. Environmental and social safeguard risks

2.4 **Environmental and social classification.** According to the Bank's Environmental and Social Policy Framework, the program is classified as a category "B" operation in terms of its socioenvironmental impact. This is because the construction of water and sanitation infrastructure could create adverse social and environmental impacts such as atmospheric emissions (noise and dust), disruptions in traffic flow and in access to homes and services, waste generation, and discharge of treated water during the operation. These impacts will be localized, short-term, and moderate, and will be addressed through readily available mitigation measures. There is an Environmental and Social Management System (ESMS) that includes a specific framework for the program, identification of risks and impacts, and management, organizational capacity and skills, emergency preparedness and response, stakeholder participation and consultation, and monitoring and evaluation plans. The environmental and social risk rating (ESRR) is substantial in

⁴⁰ The costs per subcomponent are indicative.

view of the substantial indirect impacts stemming from the fact that the receiving body for treated water is the River Plate and the program is carried out in populated urban environments with shops, schools, communities, etc. At the same time, the disaster and climate change risk has been rated as moderate due to the threat of sea surges identified in the area of the Berazategui outfall.

- 2.5 **Environmental and Social Impact Assessments (ESIAs).** Two ESIAs were prepared, along with their respective Environmental and Social Management Plans (ESMPs), for the Berazategui outfall project and the Laferrere basin sanitation system project (including supplementary works). Both ESIAs and ESMPs form part of the ESMS.
- 2.6 **Meaningful consultations.** Meaningful consultation events on the program were held using a hybrid format (in person and online) on 20 May (for the SDFB) and 29 June 2022 (for the Laferrere project). Individual neighbors, social and sports clubs, neighborhood associations, municipal agencies, and neighborhood representatives took part in the consultations. Questions were received about: (i) smells coming from the SDFB treatment plant; (ii) the status and operation of the existing Berazategui outfall; (iii) the localities that would benefit; and (iv) the execution periods for the works. The final versions of the ESMS and ESIA/ESMP, along with the respective consultation reports, were published on 29 and 30 September 2022.

C. **Fiduciary risks**

- 2.7 A medium-high fiduciary risk was identified in relation to financial management: if the allocation of budgetary credit during the disbursement period is insufficient, there could be a delay in program execution, resulting in underexecution of resources. This risk will be mitigated by preparing a comprehensive plan of activities to identify the need for resources and arrange for a timely budget allocation with the relevant authorities. If a need for budget modifications or increases is identified in the course of execution each year, the required steps will be taken in a timely manner.

D. **Other risks and key issues**

- 2.8 **Other risks.** In addition, the following risks were identified: (i) a medium-high risk that inflation will outpace the local currency devaluation during program execution, which could cause the dollar costs of the projects to rise. To mitigate this risk, a contingency reserve was set up as part of the program's budget; and (ii) a medium-low risk that AySA's ability to carry out the program's activities, specifically the SDFB works, will be affected if the company's concession is not extended. To manage this risk, the following strategy is envisaged: (i) using Component 3 resources, support conducting technical, legal, and/or economic studies as required for processing the extension (paragraph 1.28); (ii) monitor progress in implementing the plan submitted by the borrower to process the extension of the concession term (paragraph 1.23); and (iii) introduce a contract clause that makes eligibility of the SDFB works to be financed with proceeds from this loan contingent on an extension of the concession term (paragraph 3.3).

III. EXECUTION PLAN AND RESULTS MONITORING AND EVALUATION ARRANGEMENTS

A. Execution plan

- 3.1 **Borrower and executing agency.** The borrower will be the Argentine Republic and the executing agency will be AySA, a company operating under the aegis of the MOP that will be responsible for the substantive area and administrative coordination of the program. In addition, as per the strategic evaluation of the project, the executing agency will be responsible for fiduciary execution, and the International Financial Relations for Development Department of the International Financial and Economic Affairs Secretariat of the Argentine Ministry of Economy will be responsible for technical/methodological execution. AySA will execute the loan through its Department of IDB, EIB, and Other Loans. To perform these tasks, this office will be comprised of a professional team including a coordinator, a financial administration specialist, a procurement specialist, and project managers, appointed by the Administration, Finance, and Procurement Office. To effect the transfer of loan proceeds to AySA, the MOP and AySA will sign an agreement that will set out, among other things: (i) how the loan proceeds and the borrower's local contribution will be transferred, through the MOP, to AySA; and (ii) the executing agency's commitment to use the resources and implement the program activities in accordance with the terms of the loan contract.
- 3.2 **Contractual conditions.** The following will be special conditions precedent to the first disbursement: (1) **signature of a nonreimbursable-funds transfer agreement between the borrower, represented by the MOP, and AySA on terms previously agreed upon with the Bank.** This condition is required in order to effect the transfer of loan proceeds to AySA (paragraph 3.1). (2) **signature of an amendatory contract to loan contract 4268/OC-AR, introducing the modifications needed as a result of the redirection of the local contribution resources provided for in that loan contract to finance the SDFB.** This condition ensures that the proposed change of use of the local counterpart for the aforementioned loan (paragraph 1.15) is made in coordination with the resources to be provided for the present operation. (3) **the borrower, through the MOP, has submitted to the Bank a detailed plan of the actions needed to extend the term of AySA's concession, including at least the timetable, resources, and responsible parties to finish processing this extension.** This step reinforces the borrower's commitment to move forward properly and in a timely manner on the extension of this concession (paragraphs 1.23 and 2.8).
- 3.3 The following will be special contractual conditions for execution: (i) **In order for the works envisaged under Component 2 (iii) of the program to be eligible for financing under the loan, the borrower, through the MOP, will submit evidence, to the Bank's satisfaction, that the term of AySA's concession has been extended for a period at least equal to the time needed to complete those works.** This will ensure adherence to the schedule for extending the concession and that execution takes place during the extension of the concession (paragraphs 1.23 and 2.8). (ii) **The borrower undertakes to effect timely transfer of national budget resources to AySA in the event that rate revenues are insufficient to cover AySA's administrative and operation and maintenance expenses.** This condition ensures the financial sustainability of the investments (paragraph 1.39).

- 3.4 **Procurement and direct contracting.** A single-source selection for a total of US\$700,000 is anticipated and submitted to the Board of Executive Directors for consideration, to expand the implementation of a technological solution for optimized management of the water distribution system, with a focus on energy and nonrevenue water reduction. The initial phase of this solution was implemented by the firm Inclam & Water SL (Spain), which was contracted competitively by the Bank under technical cooperation operation ATN/JF-17189. The present operation will expand the originally identified coverage, inasmuch as the Bank and AySA have seen the success of the initiative ([link 10](#)), and based on the existence of a previous competitive process and a phase that naturally follows the originally contracted work. The planned single-source selection is in compliance with the Policies for the Selection and Contracting of Consultants financed by the IDB (document GN-2350-15, 3.11(a) and (d)), which allows this contracting modality in the case of services that represent a natural continuation of previous work done by the firm and when the firm has experience of exceptional value for the assignment, considering that this firm has developed the technological solution in question.
- 3.5 **Proposed use of the executing agency's procurement system.** Procurements financed in whole or in part with loan proceeds will be procured in accordance with the Policies for the Procurement of Works and Goods financed by the IDB (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants financed by the IDB (document GN-2350-15). Pursuant to the Guide for Acceptance of the Use of Country Procurement Systems (document GN-2538-35), it is proposed that AySA's procurement system be used for this program, as set out in Annex III, Section III, once AySA has complied with the system strengthening measures agreed upon with the Bank⁴¹ (paragraph 1.5).
- 3.6 **Disbursements and audits.** The Bank will disburse resources under the advance of funds modality or any other modality established in the Financial Management Guidelines for IDB-financed Projects (document OP-273-12). Advances of funds will be based on a financial plan generated for the subsequent six months, or some other reasonable period, to cover the financial needs of the program in that period. The minimum percentage to be required for replenishing advances of funds will be 65%, as was the case for the first operation under the CCLIP. The reason for this is that both operations are programs that execute several works of various types, the execution mechanism is complex, and the flows and processes of the executing agency's administrative and financial systems require lengthy time frames. The "Online Disbursement" platform will be used to process disbursements. Program funds will be deposited in an account at the Central Bank of the Argentine Republic and then transferred to a special account at Banco de la Nación de Argentina. External audits of the program will be performed either by an independent firm of auditors eligible to audit Bank-financed operations, or by the Auditoría General de la Nación [National Auditor General's Office].

⁴¹ For more details, see Section III of Annex III, Agreement and Requirements for Procurement Execution – Use of Country Systems. The aforementioned guide establishes that country procurement systems may be used in Bank-financed operations when such systems meet internationally accepted standards, describing the applicable process in the event that acceptance of the use of the system is promoted at the executing agency level (document GN-2538-35).

B. Results monitoring and evaluation arrangements

- 3.7 **Monitoring.** A program monitoring and evaluation plan was agreed upon ([link 3](#)), providing for the use of the following instruments: procurement plan, project execution plan (PEP), annual work plan, and financial plan, which will be prepared based on the PEP ([link 1](#)) during the launch of the program; and results matrix and progress monitoring reports, which the executing agency will submit within 60 days following the end of each six-month period to describe progress achieved (including on extending the term of AySA's concession), results obtained, and an action plan for the next six months.
- 3.8 **Evaluation.** There will be a midterm and a final evaluation. The evaluations will use a before-and-after methodology, consisting in comparing the baseline values of the program's results indicators with the values attained after the interventions have been carried out. An ex post economic evaluation will be performed comparing the final costs of the investments and the operation and maintenance costs with the program's benefits.
- 3.9 The borrower, through the executing agency, will perform a strategic evaluation of the program to generate information on the loan's contribution to achieving the strategic management priorities. That evaluation will serve as an input to improve implementation and supplement the program monitoring and evaluation instruments.

Development Effectiveness Matrix		
Summary		AR-L1344
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
1. The Strategic Alignment tab in convergence shows alignment on IDB Group Strategic Priorities. The Results Matrix tab lists flagged CRF indicators		
2. The Strategic Alignment tab in convergence shows information on alignment to Country Development Objectives		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		9.7
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		3.2
3.3 Results Matrix Quality		4.0
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		2.5
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		9.5
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		5.5
III. Risks & Mitigation Monitoring Matrix		
6. Overall risks rate = magnitude of risks*likelihood		Medium Low
The Environmental and Social Data tab in convergence shows the environmental and social risk classification of the project		
IV. IDB's Role - Additionality		
Annex III Fiduciary Arrangements describes project reliance on the use of country systems (VPC/FMP Criteria)		
7. 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		

AR-L1344

Evaluation Note: This is the second individual operation under the CCLIP, AR-O0004. The general objective of the Program is to contribute to improving the quality of life of the population that lives in the Metropolitan Area of the City of Buenos Aires and the Districts of the First, Second and Third Cordón of the Greater Buenos Aires (GB). The specific objectives are: (i) to increase the coverage of the residential sewage network service; (ii) reduce non-revenue water in distribution networks in intervened areas; (iii) reduce the impact of wastewater discharges from the Berazategui Plant in the Río de la Plata (RdP); and (iv) improve efficiency in the provision of Water and Sanitation (W&S) services.

The documentation includes a solid diagnosis: there are low levels of coverage for water and sanitation (W&S) and wastewater treatment in the intervention areas; high levels of physical water losses and low levels of micrometering are identified; and areas to improve efficiency in the provision of W&S services are also identified.

To mitigate the identified challenges, three components will be implemented: 1) Potable Water System; 2) Sanitation systems; and 3) Strengthening business management. The proposed solution is clearly linked to the challenges identified in the intervention areas. Empirical evidence of the effectiveness of this type of projects in the region is presented. The results matrix (RM) reflects the objectives of the program and shows a solid vertical logic and includes SMART indicators at the level of outputs and results, with their respective baseline values, targets, and means to collect the information.

Three individual Cost-Benefit analyzes are carried out: 1) for water networks and micrometering; 2) for the Laferrere sewage system; and 3) for the Berazategui emissary. Two comprehensive analyzes are also carried out: 1) for water and sanitation works; and 2) a global analysis of the entire program. The main costs and benefits are properly identified and quantified. The assumptions made are reasonable and supported by sound logic and administrative data. The results of all the analyzes show that all individual interventions, and globally, are economically viable, with internal rates of return (IRR) greater than 12%. Sensitivity analyzes are performed by modifying the main variables that can affect costs and benefits. These modifications do not significantly alter the IRR values.

The monitoring and evaluation plan proposes an ex-post cost-benefit analysis and a reflexive evaluation.

The identified risks seem reasonable and are classified as Low (3), Medium-Low (2), and Medium-High (2) risk. The risks include their respective management strategies.

RESULTS MATRIX

Project objective:	The general objective of the program is to help improve the quality of life of the population living in the Buenos Aires Metropolitan Area and the districts in the first, second, and third rings of the Buenos Aires conurbation. The specific objectives are to: (i) expand the coverage of residential sewerage service; (ii) reduce nonrevenue water in the distribution systems in the areas of intervention; (iii) reduce the impact of wastewater discharge from the Berazategui Plant into the River Plate; and (iv) boost the efficiency of water and sanitation service delivery.
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GENERAL DEVELOPMENT OBJECTIVE

Indicators	Unit of measure	Baseline		Expected year achieved	Target	Means of verification	Comments ¹
		Value	Year				
General objective: To help improve the quality of life of the population living in the Buenos Aires Metropolitan Area and the districts in the first, second, and third rings of the Buenos Aires conurbation. ²							
IMPACT #1: Reduction in greenhouse gas (GHG) emissions							
I.1 Carbon dioxide equivalent emissions avoided due to program interventions in the district of La Matanza (LaFerrere system)	Tons of CO ₂ equivalent	0	2021	2027	2,881	Energy Performance and Carbon Emissions Assessment and Monitoring (ECAM) tool	Measured at the end of the program

¹ For more details, see the [monitoring and evaluation plan](#).

² The impact indicators will not be evaluated under the project completion report.

SPECIFIC DEVELOPMENT OBJECTIVES

Indicators	Unit of measure	Baseline		Year 1	Year 2	Year 3	Year 4	Year 5	End of program	Means of verification	Comments
		Value	Year								
Specific objective 1: To expand the coverage of residential sewerage service											
R.1.1 Households in the district of La Matanza, in the program intervention area, with new effective connection to the sewer network	Households	0						3,800	3,800	Completion certificate and household survey	Approximately 40% of effective connections at the end of the program over a total of 9,063 potential connections, according to the ex ante socioeconomic assessment. Representative sample survey.
Specific objective 2: To reduce nonrevenue water in the distribution systems in the areas of intervention											
R.2.1 Water recovery due to renovation of the water networks in intervention areas	m³/day	0	2021					9,455	9,455	Operational report by AySA's Commercial Department	
R.2.2 Savings in water use due to the impact of the new micrometers in areas of intervention	%	0						10%	10%	Report by AySA's Commercial Department	See monitoring and evaluation plan for metering methodology

Indicators	Unit of measure	Baseline		Year 1	Year 2	Year 3	Year 4	Year 5	End of program	Means of verification	Comments
		Value	Year								
Specific objective 3: To reduce the impact of wastewater discharge from the Berazategui Plant into the River Plate											
R.3.1 ³ Households whose wastewater is disposed of adequately through the Berazategui final disposal system (SDFB)	Households	0	2016					1,333,333	1,333,333	AySA Annual Report	Adequate disposal occurs when the self-purification capacity of the receiving body is efficiently exploited.
R.3.2 ³ Dilution level of wastewater discharged into the River Plate by the SDFB	Dilution	1/3	2016					1/20	1/20	AySA reports	The current regulations establish a 1/20 dilution level (electrical conductivity 90% of the time) for use of the River Plate (Use III – Suitable for recreational activities without direct contact or secondary contact).
Specific objective 4: To boost the efficiency of water and sanitation service delivery											
R.4.1 Percentage of requests for digitalized drawings of in-home water and sanitation connections delivered in less than two days	%	0%	2021						80%	AySA reports	

³ In view of the dependency of operations 4268/OC-AR and AR-L1344 under the CCLIP (AR-O0004), achievement of the indicator associated with the works in the Berazategui system in the first operation under the CCLIP (4268/OC-AR) will be verified at closing of the present operation (AR-L1344), consistent with P.1.12 of the Project Completion Report (PCR) guidelines. The proposed indicator for outcome 3.1 in operation AR-L1344 is the same indicator as in operation 4268/OC-AR (AR-L1257), only slightly more accurate. Similarly, specific objective (ii) of operation 4268/OC-AR is essentially the same as specific objective (iii) of the present operation but has been lightly edited to enhance its accuracy. For these reasons, operation 4268/OC-AR will not have a PCR. Instead, it will be prepared together with the PCR for the present operation, in keeping with the aforementioned guidelines.

Indicators	Unit of measure	Baseline		Year 1	Year 2	Year 3	Year 4	Year 5	End of program	Means of verification	Comments
		Value	Year								
R.4.2 Increase in the percentage of loss events detected by the tool for optimized water supply and demand management and assigned for resolution within a period of two days or less	Percentage points	0	2021						20	Platform report	Number of loss events detected by the tool and assigned for resolution within a period of two days or less / Total number of loss events detected by the tool
R.4.3 Percentage of bidding terms for program works that contain a text calling for the inclusion of a persons-with-disabilities perspective	%	0	2021					85	85	AySA reports	The report on the works will indicate how many contractors submit an action plan that provides for including a persons-with-disabilities perspective. This will be measured once the policy has been approved and the text calling for a persons-with-disabilities perspective has been incorporated into the bidding terms.
R.4.4 Percentage of AySA staff taking the management and leadership training course who are women	%	0	2021			30			30	Course reports	Pro Gender flag Training of 100 individuals with emphasis on women's leadership with a view to leveraging their share in management and decision-making positions.

Indicators	Unit of measure	Baseline		Year 1	Year 2	Year 3	Year 4	Year 5	End of program	Means of verification	Comments
		Value	Year								
R.4.5 Percentage of AySA staff certified in courses on the persons-with-disabilities perspective	%	0				90			90		Training of 600 individuals on a persons-with-disabilities perspective, to be given by the National Disability Agency (ANDIS). Stage 1: aimed at those involved in the program and members of AySA's Training and Development Department. Stage 2: aimed at managers and department heads at AySA.

OUTPUTS

Indicators	Associated outcomes	Unit of measure	Baseline		Year 1	Year 2	Year 3	Year 4	Year 5	End of program	Means of verification	Comments
			Value	Year								
Component 1: Water supply system												
P.1.1 Water distribution networks renewed	R.2.1	m	0	2022	40,000	40,000				80,000	Completion certificate	
P.1.2 Micrometers installed	R.2.2	Micrometers	0		12,500	7,500				20,000		
P.1.3 Flow macrometers and pressure recorders installed	R.2.1	Macrometers	0		4	9	9	5		27	Sensor installation report	
P.1.4 Pressure meters with water hammer sensors installed	R.2.1	Sensors	0		50	30				80		

Indicators	Associated outcomes	Unit of measure	Baseline		Year 1	Year 2	Year 3	Year 4	Year 5	End of program	Means of verification	Comments
			Value	Year								
Component 2: Sanitation system												
P.2.1 Households in the district of La Matanza potentially with a new connection to the sewerage network in the program's area of intervention	R.1.1	Households	0	2022					9,603	9,603	Completion certificate	
Milestone 2.1.1 Main LaFerrere Plant collector built	R.1.1	km	0		2	3	3	0	0	8		
Milestone 2.1.2 Secondary networks in the district of La Matanza built	R.1.1	km	0			21	24	28	0	73		
P.2.2 Berazategui outfall built	R.3.1, R.3.2	km	0	2022		0	3	3	1.5	7.5	Completion certificate	
P.2.3 Berazategui pumping station built	R.3.1, R.3.2	Station	0						1	1		
Component 3: Institutional strengthening												
P.3.1 Drawings of internal water and sanitation house connections digitalized	R.4.1	Drawings	0	2022		287,500	287,500			575,000	AySA reports	
P.3.2 Districts with tool for optimized management of water supply and demand implemented	R.2.1, R.2.2	Districts	2			3	3			6		

Indicators	Associated outcomes	Unit of measure	Baseline		Year 1	Year 2	Year 3	Year 4	Year 5	End of program	Means of verification	Comments
			Value	Year								
P.3.3 Prototype of smart micrometering network developed and implemented	R.2.1	Prototype	0					1		1		
P.3.4 Innobox agile methodology development tool implemented (installed and operating)	R.2.1, R.4.1	Tool	0					1		1		
P.3.5 Computer equipment for internal communications procured and in use	R.4.2	Equipment	0	2022		4				4	AySA reports	
P.3.6 Simulation software licenses for education, training, and use in the work areas procured	R.4.2	Licenses	0			36				36		
P.3.7 Works inspection equipment procured and in use	R.4.2	Equipment	0	2021		50				50		

Indicators	Associated outcomes	Unit of measure	Baseline		Year 1	Year 2	Year 3	Year 4	Year 5	End of program	Means of verification	Comments
			Value	Year								
P.3.8 Institutional policy developed for inclusion of persons with disabilities	R.4.3, R.4.4	Policy document	0	2021	1					1	Minutes of AySA Board of Director meeting	The policy includes: (i) concepts of affordability, universal accessibility, and reasonable accommodation, in accordance with the Convention on the Rights of Persons with Disabilities (CRPD); (ii) introducing language instructing that the bidding terms for works-related contracts include a persons-with-disabilities perspective, as recommended in the program's gender and diversity annex.

Indicators	Associated outcomes	Unit of measure	Baseline		Year 1	Year 2	Year 3	Year 4	Year 5	End of program	Means of verification	Comments
			Value	Year								
P.3.9 Gender equality policy that incorporates professional development support strategies, with a gender and inclusion approach, developed	R.4.3, R.4.4	Policy document	0	2021	1					1	Minutes of AySA Board of Directors meeting	The policy includes considering technical and communications training, development of management and/or leadership skills, and mentoring programs with a gender and persons-with-disabilities inclusion approach as professional development support strategies
P.3.10 Studies required to extend AySA's existing concession for the provision of water and sanitation services prepared	R.1.1, R.1.2, and R.3.1	Studies	0	2021	1	1				2	AySA reports	

Country: Argentina

Division: WSA

Operation No.: AR-L1344

Year: 2022

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: Agua y Saneamientos Argentinos S.A (AySA), a company operating under the aegis of the Ministry of Public Works (MOP)

Name of the operation: Water and Sanitation Program for the Buenos Aires Metropolitan Area and the Districts in the First, Second, and Third Rings of the Buenos Aires Conurbation – Tranche II

I. Fiduciary context of the executing agency

1. Use of country systems in the operation

<input checked="" type="checkbox"/> Budget	<input checked="" type="checkbox"/> Reporting	<input checked="" type="checkbox"/> Information system	<input checked="" type="checkbox"/> National competitive bidding (NCB)
<input checked="" type="checkbox"/> Treasury	<input type="checkbox"/> Internal audit	<input checked="" type="checkbox"/> Shopping	<input checked="" type="checkbox"/> Other
<input checked="" type="checkbox"/> Accounting	<input checked="" type="checkbox"/> External control	<input checked="" type="checkbox"/> Individual consultants	<input type="checkbox"/> Other

2. Fiduciary execution mechanism

<input checked="" type="checkbox"/> Specifics of fiduciary execution	The borrower will be the Argentine Republic and the executing agency will be AySA, a company operating under the aegis of the MOP that will be responsible for the substantive area and administrative coordination of the program. In addition, as per the strategic assessment of the project, the executing agency will be responsible for fiduciary execution, and the International Financial Relations for Development Department of the International Financial and Economic Affairs Secretariat of the Argentine Ministry of Economy will be responsible for technical/methodological execution. AySA will execute the loan through its Department of IDB, EIB, and Other Loans.
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3. Fiduciary capacity

Fiduciary capacity of the executing agency	An institutional capacity assessment performed on AySA determined that it has a satisfactory level of institutional capacity to execute the program. In addition to this program, AySA is executing Bank loans 3733/OC-AR and 4268/OC-AR.
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4. Fiduciary risks and risk response

Risk taxonomy	Risk	Risk level	Risk response
Economic and financial	If the allocation of budgetary credit during the life of the program is insufficient, there could be a delay in the execution of	Medium-high	Mitigation: A comprehensive plan of program activities will be prepared to identify the needs for resources and arrange for a timely budget allocation with the relevant authorities. In the event

Risk taxonomy	Risk	Risk level	Risk response
	projects, resulting in an underexecution of resources.		that a need for budget modifications or increases is identified in the course of execution each year, the required steps will be taken in a timely manner.

5. Policies and guidelines applicable to the operation. For the financial management of the program, the Financial Management Guidelines for IDB-financed Projects (document OP-273-12) will be used. The policies set forth in documents GN-2349-15, GN-2350-15, and GN-2538-35 will be used for procurement processes.
6. Exceptions to policies and guidelines. N/A.

II. Considerations for the Special Provisions of the Loan Contract

Special conditions precedent to the first disbursement. A funds transfer agreement will be signed by the borrower, represented by the MOP, and AySA on terms previously agreed upon with the Bank, setting out, among other things: (a) how the loan proceeds and the borrower's local contribution will be transferred to AySA; and (b) the executing agency's commitment to using the resources and executing the program's activities in accordance with the terms of this contract.
For the purposes of Article 4.10 of the General Conditions, the Parties agree that the applicable exchange rate will be the rate indicated in subsection (b)(i) of said Article. For the purpose of determining the equivalence of expenditures incurred in local currency against the local contribution, or the reimbursement of expenditures chargeable to the loan, the agreed-upon exchange rate will be the rate in effect on the first business day of the month in which the borrower, the executing agency or any other individual or legal entity to whom the authority to make expenditures has been delegated makes the respective payments in favor of the contractor, supplier, or beneficiary.
The program's audited annual financial statements will be submitted to the Bank within no more than 120 days after the close of each fiscal year of the executing agency and will be duly audited either by an independent firm of auditors acceptable to the Bank or by the National Auditor General's Office (AGN). The final audited financial statements will be submitted within 120 days following the date of the last program disbursement.

III. Agreements and Requirements for Procurement Execution

<input checked="" type="checkbox"/>	Use of country systems	The CAP issued a (mandatory) technical opinion in favor of using AySA's procurement system (SCCA) in this program. The findings of, and support for, this analysis accompany this annex (link 13) for consideration and approval by the Board of Executive Directors in the context of the approval process for this program. The SCCA will be used for the procurement of goods, works, and services without any limit as to amount. Direct contracting is excluded and will follow the Policies for the Procurement of Works and Goods and for the Selection and Contracting of Consultants (documents GN-2349-15 and GN-2350-15, respectively), or successor policies in force. The use of the SCCA in this program is in accordance with the Guide for Acceptance of the Use of Country Procurement Systems (document GN-2538-35). The program procurement plan will list the
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		procurement to be executed through the country system within the approved scope.								
☒	Direct contracting and single-source selection	Single-source selection for a total of US\$700,000. Consists in expanding the implementation of a technological solution for optimized management of the water distribution system with a focus on energy and nonrevenue water reduction, the initial phase of which was carried out by the firm Inclam & Water SL (Spain). (link 10)								
☒	Procurement supervision	<p>The supervision method will be ex post, except in cases where ex ante supervision is warranted. Procurements executed through the AySA procurement system will be supervised through the AySA supervision system in coordination with the Bank. The supervision method, whether (i) ex ante, (ii) ex post, or (iii) country system, will be determined for each process. Ex post reviews will be conducted every 18 months in accordance with the project supervision plan, subject to change during execution. The benchmark threshold amounts for ex post review are as follows:</p> <table><tr><td>Executing agency</td><td>Works</td><td>Goods/Services</td><td>Consulting services</td></tr><tr><td>AySA</td><td>25,000,000</td><td>1,500,000</td><td>500,000</td></tr></table>	Executing agency	Works	Goods/Services	Consulting services	AySA	25,000,000	1,500,000	500,000
Executing agency	Works	Goods/Services	Consulting services							
AySA	25,000,000	1,500,000	500,000							
☒	Records and files	The procurement records and files, including procurement carried out under the SCCA, will be duly kept in AySA's electronic systems and be made available to the Bank upon request.								

Main procurement processes

Description of procurement	Selection method	New procedures/ tools	Estimated date	Estimated amount (US\$ thousands)
Goods				
Micrometering and monitoring equipment (several processes)	NCB		Jun/2022	1,600
Works				
LaFerrere Plant collector	NCB		Sep/2022	19,500
La Matanza networks (four processes)	NCB		Jan/2024	15,800
Renovation of water distribution networks (three processes)	NCB		Jun/2022	14,400
Pumping station and Berazategui outfall	ICB		May/2021 – under way	113,200
Nonconsulting services				
Digitalization of drawings of in-home installations	ICB		Jul/2023	2,000
Firms				
Implementation of a technological solution for optimized management of the water distribution system	SSS		Jun/2023	700

The procurement plan can be consulted [here](#).

IV. Agreements and Requirements for Financial Management

☒	Programming and budget	<p>AySA, acting through its Department of IDB, EIB, and Other Loans, is responsible for the annual budget formulation and programming process and for all procedures involved in consolidating the annual budget for approval. As the need arises for additions to, or reallocations of, appropriations, the Department requests the corresponding amendments and is responsible for getting them to approval. Budget appropriations are executed through quarterly and monthly commitment installments, which are assigned by the National Budget Office (Ministry of Economy). In the case of the local contribution, the source will be identified, and its availability when needed will be guaranteed.</p>
☒	Treasury and disbursement management	<p>Bank accounts. AySA will manage and control any bank accounts opened in dollars and local currency from the IDB or local counterpart for the exclusive management of program resources, as well as their bank reconciliation. The loan proceeds in dollars will be disbursed into an MOP account and then transferred to AySA's account as provided in the funds transfer agreement entered into by the borrower, represented by the MOP, and AySA.</p> <p>Financial plan. Disbursements will be made on the basis of a detailed financial plan based on the program's actual liquidity needs.</p> <p>Disbursement methods. The Bank will disburse resources under the advance-of-funds modality or any other modality specified in the Guidelines set out in document OP-273-12. Advances of funds will be based on a financial plan generated for the subsequent six months, or some other reasonable period, to cover the financial needs of the program in that period. The minimum percentage to be required for replenishing advances of funds will be 65%, as was the case for the first operation under the CCLIP. The reason for this is that both operations are programs that execute several works of various types, the execution mechanism is complex, and the flows and processes of the executing agency's administrative and financial systems require lengthy time frames. The "Online Disbursement" platform will be used to process disbursements vis-à-vis the Bank.</p> <p>Flow of program funds. The program funds will be deposited in an account opened to receive IDB disbursements at the Central Bank of the Argentine Republic, and then transferred to a special account at Banco de la Nación de Argentina for managing the loan proceeds. Use of the Treasury Single Account is not anticipated.</p>
☒	Accounting, information systems, and reporting	<p>AySA will use the External Loan Executing Unit (UEPEX) system as the financial administration system, which allows for the identification of program funds and sources of financing. This system records the program's investments by cost table component, in accordance with the chart of accounts approved by the Bank. The accounting records will be kept on a cash basis and will abide by International Financial Reporting Standards, as applicable, in accordance with established national criteria.</p>

☒	Internal control and internal audit	Internal control is the responsibility of the Office of the Comptroller General of the Nation (SIGEN). Internal auditing is done by AySA's Internal Audit Department, which reports directly to the company's board of directors.
☒	External control and financial reports	The program's external audit may be performed by an independent firm of auditors eligible to audit Bank-financed operations, selected and contracted pursuant to the terms of reference and model contract previously agreed upon with the Bank. It may also be carried out by the National Auditor General's Office (AGN), if previously authorized by the Bank and if its workload allows, since the National External Control Subsystem has been validated.
☒	Financial supervision of the operation	The financial supervision plan will be based on the risk and fiduciary capacity assessments made of AySA and will include onsite supervision visits and desk monitoring, as well as analysis and follow-up of the findings and recommendations of the audits of the program's annual financial reports.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/22

Argentina. Loan ____/OC-AR to the Argentine Republic. Water and Sanitation Program for the Buenos Aires Metropolitan Area and the Districts in the First, Second, and Third Rings of the Buenos Aires Conurbation – Section II. Second Individual Operation Under the Conditional Credit Line for Investment Projects (CCLIP) for the Water and Sanitation Program for the Buenos Aires Metropolitan Area and the Districts in the First, Second, and Third Rings of the Buenos Aires Conurbation (AR-O0004)

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 the Water and Sanitation Program for the Buenos Aires Metropolitan Area and the Districts in the First, Second, and Third Rings of the Buenos Aires Conurbation – Section II, which constitutes the second individual operation under the Conditional Credit Line for Investment Projects (CCLIP) for the Water and Sanitation Program for the Buenos Aires Metropolitan Area and the Districts in the First, Second, and Third Rings of the Buenos Aires Conurbation (AR-O0004), approved by Resolution DE-37/17 on August 29 of 2017. Such financing will be for the amount of up to US\$150,000,000, from the resources of the Bank's Ordinary Capital, 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 _____ 2022)