

EMERGENCY FLOOD REHABILITATION PROGRAM

(AR-0242)

EXECUTIVE SUMMARY

BORROWER AND GUARANTOR: The Argentine Republic

EXECUTING AGENCY: Jefatura de Gabinete de Ministros (JG) [Office of the Chief of Cabinet]

AMOUNT AND SOURCE: IDB: US\$300 million
Local counterpart funding: US\$200 million
Total: US\$500 million

FINANCIAL TERMS AND CONDITIONS: Amortization period: 25 years
Disbursement period: 2.5 years
Interest rate: variable
Inspection and supervision: 1% of the loan
Credit fee: 0.75% per annum
Currency: US\$ from the Single Currency Facility

OBJECTIVES: The objective is to provide support for the economic and social recovery of affected zones through activities to attenuate the impact of the floods, reconstruct and rehabilitate economic and social infrastructure, and mitigate damage from similar catastrophes in future through preventive actions.

DESCRIPTION: The damage caused to date by the floods in the six provinces affected includes: (i) flooding in 39% of the region; (ii) over 100,000 evacuees; (iii) loss in agricultural production of US\$1 billion; (iv) known damage to infrastructure of US\$750 million; (v) drop of US\$330 million in federal tax revenues and of US\$117 million in provincial revenues; (vi) loss of US\$300 million in exports; and (vii) loss of an estimated 110,000 jobs. To remedy the damage, the government has developed a strategy which this operation is designed to support through a series of activities that have been grouped into three components:

1. Mitigation component (US\$30 million), as an immediate contribution to alleviating the impact of the floods on people who have been forced from their homes. Costs related to protection,

drainage in urban and rural areas, and temporary resettlement will be financed.

2. Component for reconstruction and/or repair (US\$430 million) of public transportation, sanitation and potable water infrastructure, construction materials for housing and basic services, agricultural infrastructure, and other minor repairs to public buildings such as schools and health centers. This component includes studies on works, goods, and services to be financed by the program, technical and financial supervision of the works, and monitoring and supervision of the environmental protection measures included in the projects.
3. Prevention component (US\$5 million), which includes studies on dredging and drainage, maintenance, and protective systems in watersheds, design and implementation of an early warning system, and strengthening and training, including the design and implementation of mechanisms to bolster emergency response institutions and training for their staff.

These components will be carried out following two key principles - transparency and equity. Transparency will be achieved through: (i) broad participation by local communities in determining priorities and implementing projects (Caritas, the Red Cross and other NGOs have been very active in providing assistance and will continue to operate during the emergency); and (ii) extensive dissemination and public information on the core elements of the program, operating regulations, and lists of projects. Equity will be understood as the distribution of program funds among the provinces in proportion to the damages they have suffered.

**ENVIRONMENTAL
AND SOCIAL REVIEW:**

In general, the actions included in the program will reduce the impact of natural catastrophes. Any potential negative impact of the works to repair infrastructure will be temporary and insignificant. The program includes mechanisms to ensure the timely identification of environmental risks (enforcement of domestic environmental legislation), eligibility criteria and control measures established in the operating regulations, and measures to strengthen the executing agency institutionally. The program will apply sector environmental criteria already agreed upon with the Bank in earlier operations for road works, agricultural infrastructure, and sanitation.

BENEFITS:

The basic benefit of this operation will be to assist with measures to mitigate economic losses in the different regions by restoring damaged or destroyed infrastructure to operating condition and attenuating the social impact on the most vulnerable groups.

The operation will also strengthen the response capacity of the institutions responsible for dealing with emergencies, to enable them to attenuate the effects of similar events in future.

RISKS:

The main risk that could affect the program's objectives and alter its goals is linked to the possibility that El Niño may continue or recur in the region with similar or greater intensity during the program. This could impede execution of the works, aggravate existing damage, and increase the need for resources to protect the public and rehabilitate infrastructure.

Another major risk, which will be minimized through institutional strengthening activities, would be difficulties in coordination since different public agencies are involved which do not normally have sufficient resources to deal with items not included in their work programs. This risk will be minimized since the operation includes strengthening for the executing unit and the other coexecuting agencies. Support will be provided by an agency that specializes in the design and implementation of operating plans to cope with natural disasters, and account will be taken of the lessons learned from previous emergencies.

**THE BANK'S
COUNTRY AND
SECTOR STRATEGY:**

This is an emergency loan that does not form part of the Bank's operating program with Argentina as proposed in the country paper. The program is intended to assist in the rapid economic recovery of the affected region and to mitigate the social impact on the most vulnerable groups. These short-term objectives correspond to the Bank's long-term country strategy, which is to boost production and reduce poverty.

**EXCEPTIONS TO
BANK POLICY:**

See the section on procurement below.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

Conditions precedent to the first disbursement:

- a. Establishing the executing unit - the national project directorate - and appointing four coordinators.
- b. Placing the operating regulations in effect.

Other contractual clauses:

Conditions will be agreed upon to ensure suitable program monitoring and evaluation (paragraphs 3.41 to 3.43) and the presentation of financial statements (paragraphs 3.44 to 3.47).

With respect to recognition of expenses under the counterpart, the Bank will recognize expenses incurred since May 14, 1998, up to US\$30 million (paragraph 3.23).

**PROCUREMENT
OF GOODS AND
CONSULTING
CONTRACTS:**

1. Normal procedures

Normal Bank procedures will be followed (international bids and calls for quotations in accordance with the procedures described in Annexes B and C) for works over US\$5 million, goods worth more than US\$350,000, and consulting services over US\$200,000. As established in those procedures, procurements of goods and services, works, and consulting contracts worth less than those amounts will be governed by national or provincial legislation, as pertinent, provided it is not in conflict with Bank policies.

2. Special procedures

As long as the government maintains the state of emergency, the Bank will simplify its procurement procedures to enable the coexecuting agencies to act as follows:

- a. A general procurement notice published in *Development Business* will announce that specific procurement notices will be published in certain national newspapers and on the Internet. Both the general and specific notices will state that there will be no restrictions on participation by foreign firms.
- b. (i) Except as indicated in paragraph 3.29 and (ii) and (iii) below, normal Bank procedures will be followed.

- (ii) Post-qualification may be used for procurements of works and goods, to determine whether the lowest bidder has the technical, financial, legal and other resources indicated in the bid documents. If it does, it will be awarded the contract. If not, the second and subsequent bids will be analyzed until a qualified bidder is found.
 - (iii) For consulting services, the specific procurement notices will request that expressions of interest be accompanied by technical proposals and financial bids in separate envelopes. Bidders will be informed of the selection criteria to be used. The best firm will be chosen to negotiate the contract. This will replace the normal procedure involving prequalification, short lists, and invitations to bid.
- c. For works and goods costing less than the above-mentioned limits, two procedures may be used:
- (i) for works costing less than US\$5 million but more than US\$350,000 and goods costing less than US\$350,000 but more than US\$75,000, a short bidding procedure as described in the technical files (Annex III-2 and Annex B1 to the prospective loan contract); and (ii) for works costing less than US\$350,000 and procurements under US\$75,000, price shopping, which may be international or local (paragraphs 3.28 to 3.33).
3. Force account. The Bank may recognize eligible expenses incurred by the coexecuting agencies for works on force account up to a maximum of US\$15 million from the local counterpart, upon presentation of justification (paragraph 3.33).
4. Direct contracting. As an exception to using public bidding to contract consultants, it is recommended that the Federal Emergency Management Agency (FEMA) be contracted directly. The agency will make procurements, hire consultants, and perform other necessary activities following Bank procedures. This measure complies with the provisions of chapter GS-403 of the Procurement Manual (paragraph 3.33).

**POVERTY TARGETING
AND SOCIAL SECTOR
CLASSIFICATION:**

Although this program is not designed for poverty alleviation, it meets the poverty targeting criterion since most of the beneficiaries are poor. An estimated 80% of the direct costs of the program will benefit the poorest population in the affected areas. Accordingly, the Bank is able to increase the normal financing matrix for the country by 10% (paragraph 4.12).

IMAGEN NOAA-AVHRR - MAYO 1998



I. FRAME OF REFERENCE

A. El Niño

- 1.1 El Niño is an atmospheric-oceanic phenomenon that involves the heating of waters on the eastern coast of America that occurs when warm ocean currents upwell in zones that are normally cold. It can affect climate conditions in areas as remote as North America, South America, Africa, and India.
- 1.2 The changes in ocean currents caused by El Niño lead to major alterations in global weather patterns. There have been 12 El Niños in the last 40 years. The worst began in 1982 and extended into 1983, affecting marine life and local climates and altering weather conditions over much of the planet. It caused flooding, droughts, forest fires, tropical storms, costal erosion, and alterations in crop yield, hydroelectric power, and the availability of water in general, which had a major impact on ecosystems and humans.
- 1.3 El Niño is a natural phenomenon that recurs every 2 to 7 years. It is the result of a search for a dynamic balance between the Pacific Ocean in equatorial areas and the atmosphere, in a process involving permanent feedback. When changes in winds and water temperatures surpass given thresholds El Niño is triggered and its cycle can last for more than a year.
- 1.4 Observations indicate that El Niño is never consistent, varying in the time it begins, develops, and ends, particularly in moderate cases. A detailed study of the last six events shows that the phenomenon caused drought in come regions, while the wet pampa received excess rainfall. Since El Niño changes atmospheric circulation, its immediate effects are apparent in precipitation levels. Prolonged exposure to an excess or shortage of rainfall can lead to flooding or drought. However, these phenomena do not depend exclusively on the amount of rainfall but on its distribution in time and space. Rain on dry land will infiltrate easily, but on saturated land it will quickly run off into rivers, immediately causing flash floods.
- 1.5 In general, El Niño produces excessive rainfall in the wet Pampa from mid-spring to the end of the summer. Although this is beneficial for farming up to a point, prolonged excessive rainfall, by increasing humidity in the air, can lead to the appearance of plant diseases and flooding that can kill crops entirely.

1. El Niño 1982/1983

- 1.6 From the end of 1982 to mid-1993, Argentina had 250,000 evacuees who lost their homes and over half a million more people were affected to a greater or lesser degree. Seven million hectares

were flooded in Chaco, Formosa, Santa Fe, Corrientes, Entre Ríos, and Buenos Aires, and roads, bridges, ports, sewers, and drainage channels and other infrastructure were badly damaged. Different studies based on observations over the last 50 years demonstrate the clear relationship between El Niño and climate change in Argentina for periods ranging from a few months to almost a year.

2. El Niño 1997/1998

- 1.7 The values recorded from August 1997 to present have broken all records for the last 50 years. Rainfall between October 1997 and April 1998 was well above 2,000 mm, when the annual average for the zone is about 1,200 mm. The international scientific community agrees that this recurrence of El Niño will be worse than any in human memory. Its impact on Argentina has followed historical lines. Thus far, snowfall and rain in the central cordillera in the winter of 1997, flooding in the Uruguay river in October, early torrential rains from September to October 1997 in the northeast, Chaco, Corrientes, Formosa, Entre Ríos, northern Santa Fe and southern Misiones, flooding in the Paraná river owing to rain in its upper watershed exacerbated by heavy rain in its middle course, and widespread precipitation higher than normal in the wet Pampa from August 1997 to October 1997 confirm that opinion.
- 1.8 Most of the earlier floods in the Paraná, Paraguay, and Uruguay rivers, caused by rainfall in the areas where they have their sources, had a major impact on cities along their banks, affecting an estimated 2 million hectares. However, the 1997-1998 flood was accompanied by torrential rains in basins in the interior of the provinces of Chaco, Corrientes, Entre Ríos, Santa Fe, and Formosa, and as many as 8.7 million hectares (or much of the territory of those provinces) were left completely under water. This had a very strong impact on localities that are not close to the main rivers and on the road and drainage infrastructure in watersheds in the interior.

B. Impact of flooding on the coast

- 1.9 The damage caused to date by the floods in the six provinces affected includes: (i) flooding in 39% of the region; (ii) over 100,000 evacuees; (iii) loss in agricultural production of US\$1 billion; (iv) known damage to infrastructure of US\$750 million; (v) drop in federal tax revenues of US\$330 million and of US\$117 million in provincial revenues; (vi) loss of US\$300 million in exports; and (vii) loss of an estimated 110,000 jobs.

1. Size of the area affected in each province

- 1.10 Total area affected in the region was 39.4%. The hardest hit provinces were Corrientes with 70% of its territory covered by water, followed by Chaco and Entre Ríos with over 40%, Santa Fe and Formosa with about 30%, and Misiones with 10%.

**Table 1. Percentage of land affected
Comparison between 1982/1983 and 1997/1998**

Province	1982/1983	1997/1998
Corrientes	70	70
Entre Ríos	60	40
Chaco	40	40
Santa Fe	55	30
Formosa	45	30
Misiones	30	10

2. Population affected

- 1.11 The floods made it necessary to evacuate 101,117 people at their peak (April 28). By June 18, the number of evacuees had fallen to 57,250.

Table 2. Number of people who were evacuated or fled

Province	Affected at the peak (April 28)	Affected as of June 18
Corrientes	30,430	12,594
Entre Ríos	16,594	14,130
Santa Fe	11,160	14,900
Formosa	22,160	12,742
Chaco	18,355	2,704
Misiones	2,478	180
Total	101,177	57,250
Source: Dirección Nacional de Planeamiento y Protección Civil		

- 1.12 The departments in the provinces have been ranked in three categories based on the extent of the impact: (i) departments critically affected; (ii) departments badly affected; and (iii) departments affected. There are 1,110,700 people living in departments in the first two categories with unmet basic needs (UBNs), accounting for almost 60% of the population with UBNs in the affected provinces.

3. Sector impact

- 1.13 Apart from the immediate social emergency which required that people be evacuated from flooded homes and neighborhoods, the agricultural sector was hard hit and is expected to face a very slow and difficult recovery. Agri-business, commerce, and other activities were directly affected by losses in primary production, leading to a socioeconomic crisis whose scope is difficult to gauge as yet, but is apparently unprecedented on the regional scale. The chain of payments has been affected in some provinces. Farmers are unable to pay their debts because they have not obtained the income they expected, which affects business and the financial sector. The first two sectors are unable to pay their taxes, affecting the fiscal capacity of the public sector.

a. Losses in agricultural production

1.14 Preliminary estimates indicate that about 18.5 million hectares were affected by El Niño, with 8.7 million (47%) completely swamped, 5.7 million (31%) water-logged, and 4 million (22%) under water at the height of the emergency.

Table 3. Population with UBNs affected by the floods

Province	Pop. with UBNs (thousands)	Pop with UBNs as a % of total pop.	Percentage of population with UBNs by department			
			Crit.	Serious	Affec.	Unaffe.
Chaco	358.4	39.5	34	38	8	10
Corrientes	296.0	31.4	53	17	9	11
Entre Ríos	222.1	20.6	34	35	6	25
Formosa	179.1	39.1	41	17	16	26
Misiones	304.4	33.6	23	42	19	16
Santa Fe	524.3	17.6	15	16	7	62
Total	1,884.2	26.2				

1.15 Nonetheless, just 1 million hectares (650,000 ha of crop farms and 350,000 ha of livestock farms) in the six provinces that were hardest hit (El Chaco, Formosa, Santa Fe, Corrientes, Entre Ríos and Misiones) saw their production capacity seriously damaged, with corresponding to dwarf holdings and small farms. Economic losses have been estimated at over US\$1 billion, with US\$600 million corresponding to losses in crops and US\$400 million in livestock (see table I-4).

1.16 Expressed as a percentage of provincial GDP, in Chaco losses amounted to 7.9%, without considering lower future production or the other sectors linked to primary production. The figures for the other provinces range from 0.3% of GDP in the case of Entre Ríos to 1.1% in Formosa.

Table 4. Estimated crop and livestock losses (US\$ millions)

Province	Crops	Livestock	Total
Chaco	325.1	52.0	377.1
Formosa	19.3	28.6	47.9
Santa Fe	126.2	155.6	281.8
Entre Ríos	68.1	-	68.1
Corrientes	46.0	164.1	210.1
Misiones	49.6	5.2	54.8
	634.3	405.5	1,039.8
Source: Secretaría de Agricultura, Ganadería, Pesca y Alimentación.			

b. Losses in provincial tax revenues

1.17 From the fiscal standpoint, the impact of the floods in the province of Misiones is significant since, if projections are borne out, the province will lose the equivalent of 27% of its estimated revenue for 1998.

1.18 The province of Corrientes is one of the hardest hit from the fiscal standpoint since losses in revenues will be an estimated 52%

of this year's forecasts. Had the crisis not occurred, tax revenues would have been US\$75.6 million.

1.19 Loss of tax revenue in the province of Santa Fe and the other provinces is not significant, and will not amount to more than 1.4%.

1.20 The Finance Department of the province of Formosa reports that its revenues have not been affected by the emergency.

1.21 According to the Directorate General of Revenue of Chaco province, the expected drop in tax revenues will be 25.6%, as a consequence of a loss of 50% in the rural property tax and 25.6% in other taxes (gross income, stamp tax, etc.). Budgeted revenue for 1998 was US\$117 million and the province will lose US\$30 million of that sum.

Table 5. Impact of the crisis on provincial tax revenues
(in millions of US\$)

Province	Budgeted revenues	Losses owing to the crisis	Losses (%)
Chaco	117.0	30.0	25.6
Corrientes	75.6	39.5	52.3
Entre Ríos	330.0	6.2	2.0
Formosa	-	-	-
Misiones	130.8	35.4	27.1
Santa Fe	892.9	12.5	1.4
Total	1,546.2	123.6	8.0

Sources: Provincial governments.

1.22 In the case of Entre Ríos, the provincial Directorate General of Revenue reported that the drop caused by the floods will be about US\$6.2 million as compared with the previous year.

4. Impact on infrastructure

1.23 Estimates place the cost of rebuilding the road infrastructure damaged by the floods at US\$274 million. Housing suffered an estimated US\$160 million worth of damage, and about 1,000 schools will require US\$200 million to repair. Water and sanitation infrastructure will cost about US\$30 million.

a. Schools

1.24 To date, the federal Ministry of Education has only evaluated damage to 245 schools (see table I-6).

Table 6. Number of schools affected and cost of repairs

Province	School	US\$ millions
Chaco	80	16
Corrientes	22	4.4
Entre Ríos	20	4
Formosa	48	9.6
Santa Fe	60	12
Misiones	15	3
Total	245	49

Source: Ministry of Education.

b. Roads

1.25 One of the sectors that suffered the worst damage from the floods thus far in 1998 has been the road infrastructure. The flooding caused by rain, overflowing rivers, and flash floods has damaged national, provincial, and rural roads and city streets. Some 2,800 km of national highways have been affected, mainly as result of the destruction of bridges and drainage or because the water covered the roads, eroding them. More than 30,000 km of all provincial, rural, and local roads (which total over 140,000 km) have been seriously damaged. The works generally required to restore service levels include: repair or reconstruction of bridges, pontoon bridges, and drains, improvement and/or elevation of the grade, reconstruction of wearing courses and shoulders, realignment, patching, repairs to asphalt, reconstruction of embankments, etc.

1.26 The estimated cost of repairing the road infrastructure is US\$274 million. The National Highways Directorate and the provinces are concentrating on repairs to sections of the main highways that were damaged by the floods and have invested close to US\$19 million since May 1998. However, they do not have sufficient economic capacity to replace and repair all the infrastructure that was damaged or destroyed.

Table 7. Cost of road reconstruction

Province	In US\$ millions
Formosa	8
Chaco	53
Misiones	38
Corrientes	35
Entre Ríos	25
Sante Fe	58
National roads	57
Total	274
Source: National Highways Directorate.	

c. Potable water and sanitation infrastructure

1.27 The municipalities that were flooded suffered from serious contamination of groundwater and natural surface reservoirs owing to the overflow of septic tanks and sewage treatment ponds. Local authorities committed US\$8.5 million to cope with this problem in the first stage.

1.28 Rehabilitation of the sanitation structure evaluated so far will require financing of US\$13.9 million for 239 projects, making for a total investment of US\$22.4 million.

5. Macroeconomic impact

1.29 National GDP will fall by between 0.7% and 1% as a direct consequence of the losses resulting from the floods, particularly in agricultural production. However, other economic activities

necessary to repair and reconstruct the damaged infrastructure may compensate indirectly for that loss.

- 1.30 The impact of the floods on the supply of food, inputs, and the consumer price index will be very limited, restricted to certain products and very specific cases, and is therefore not expected to have an effect on aggregate inflation.
- 1.31 The loss of national revenue resulting from lower tax receipts will be US\$331 million, mainly through lower income from the VAT.
- 1.32 Exports are expected to fall as a result of El Niño by about US\$300 million or 1.2% of total sales, based on 1997 data.

6. Social impact

- 1.33 The most serious social impact is the temporary loss of wages by workers in low-income groups. In some critically affected departments, close to 50% of the total population has unmet basic needs (about 600,000 people in the six critically affected departments and just over half a million in seriously affected departments).
- 1.34 The government provided assistance to ameliorate conditions for people living in the provinces affected by the floods, in the form of food, clothing and medicine, costing over US\$14 million. The equivalent of 9.8 million meals were provided between October 1997 and June 1998, covering 63% of households with UBNs in those provinces.

C. Government strategy for coping with El Niño

- 1.35 The government has been carrying out different actions and intends to produce a national emergency prevention plan. Works to reconstruct infrastructure and housing will include preventive measures to forestall future situations of this kind by reducing vulnerability. The government recently built a series of preventive works costing an estimated US\$293 million, known as the flood emergency rehabilitation program (between 1992 and 1997), financed by the IBRD. The program executed 434 works and built 5,820 houses in the affected provinces. These protective works lessened the impact of the current situation for estimated savings of US\$950 million.
- 1.36 The government will also carry out a flood control project to begin in 1998 and last for five years, costing US\$420 million, financed by the IBRD and Eximbank of Japan. The project will raise the height of flood protection works at selected spots along the Paraná, Uruguay, and Paraguay rivers and carry out a series of non-structural measures to permit the participating provinces to cope with the problem of recurrent flooding by improving the weather

warning system. It will also construct 155 shelters for evacuees and facilitate self-construction of 5,000 houses for flood victims.

- 1.37 In May 1998, an emergency flood project to cope with El Niño was signed with the IBRD (US\$60 million) for affected provinces in the northeast, center, south, and on the coast. Approximately US\$118 million of uncommitted funds from projects currently under way financed by the IBRD are being mobilized to deal with the emergency.
- 1.38 Laws 24955 and 24959 declared different parts of the provinces of Formosa, Chaco, Misiones, Corrientes, Entre Ríos, and Santa Fe to be emergency and/or disaster areas. Decrees 699/98 and 496/98 and others have established different measures to mitigate the impact of the floods (tax deferrals, debt refinancing, etc.).
- 1.39 An inter-jurisdictional communications system has been set up in the Ministry of the Interior, linking its Civil Protection Directorate to the provincial civil defence directorates for emergency-response purposes. The government has also strengthened the weather alert system in the River Plate basin, which is operated by the Department of Natural Resources and Sustainable Development through the INA.
- 1.40 On May 7, 1998, the government established the Consejo Nacional de Recuperación de las Zonas Afectadas por Emergencias Climáticas (CONAREC) [National Council for Natural Disaster Recovery]. It is a body whose purpose is to coordinate actions to rehabilitate and improve affected zones. Provincial representatives sit on the council, which coordinates the activities of federal, provincial, and municipal organizations.
- 1.41 The Bank's project will complement past and future actions to be carried out with the loans already mentioned and other government measures (see table I-8).

**Table I-8. Estimated damages and complementary actions
(US\$ millions)**

Area	Damage	Cost of damage	Action	Complem. actions	This program	% damage covered
Humanitarian assistance	100,000 evacuees	40	Mitigation	Donations and other programs	US\$30	100
Education	1,000 schools	200	School rehabilitation	Budget US\$25		25
Housing	Housing and basic social infrastructure	160	Housing rehabilitation	Flood protection project loan US\$17 FONAVI	US\$140	100
Road infrastructure	2,800 km of national routes; 30,000 km of provincial/rural roads	274	Road rehabilitation	IBRD EI Niño loan US\$22	US\$220	88
Crops and livestock	Harvests and yield	634	Tax concessions Loan refinancing	IDB/WB/PROSAP US\$100 Banco Nación US\$160	US\$50	30
	Deaths and low weight	405	Subsidized loans			
	Total	1,039	Honor loans Condonation of loans			
	Off-farm infrastructure	100	Off-farm rehabilitation works			
Labor	86,000 jobs lost and 24,000 at risk Total: 110,000		Reconstruction projects for affected areas. 49,483 jobs	1998 budget: US\$10 IBRD works program: US\$28		45
Sanitation	Contamination of groundwater, damage to sewers and sewage treatment plants	30	Supply of equipment: water treatment plants, electric generators	1998 budget: US\$8.1	US\$20	100

1/ Preliminary estimate. Costs may increase when the final evaluation is performed after the water recedes.

D. Bank country strategy

1.42 In support of the Argentine government's priorities and based on the Eighth Replenishment guidelines, the Bank's strategy will focus on the following basic areas: (i) deepening and consolidating

modernization of the State on the central level and extending it to the provincial and municipal levels; (ii) reducing poverty and raising the standard of living through actions to provide productive employment and improve the quality and coverage of social programs; and (iii) boosting productivity and competitiveness to increase exports.

- 1.43 This is an emergency loan that does not form part of the Bank's operating program with Argentina proposed in the country paper. The program is intended to assist in the rapid economic recovery of the affected region and to mitigate the social impact on the most vulnerable groups. These short-term objectives correspond to the Bank's long-term country strategy, which is to boost production and reduce poverty.
- 1.44 In parallel to this operation, the Bank is reformulating loan 899/OC-AR for the provincial agricultural services program (PROSAP) to cofinance an agricultural emergency program. It will cost US\$100 million, with US\$40 million from the reallocation of PROSAP funds, US\$40 million from the reformulated World Bank loan (IBRD-4212-AR), and US\$20 million from the local contribution.

E. Bank and country experience in previous emergencies

1. Bank emergency policies

- 1.45 The Bank's operating policy for natural disasters (OP-704) is intended to help member countries protect themselves and effectively reestablish their socioeconomic development. The Bank will also assist member countries with measures to prevent or reduce losses caused by catastrophes.
- 1.46 OP-704 distinguishes three stages in the assistance process, which cover situations prior to, during, and after an emergency. In Argentina's case, all indications are that maximum rainfall and other adverse weather conditions have abated, and therefore the Bank's actions will focus on assistance during and after the emergency. Financing will be provided for actions to: (i) minimize loss of life and property; (ii) mitigate the suffering of victims; (iii) repair the damage to service infrastructure as quickly as possible; (iv) provide services and security measures to protect the public; and (v) help economic activity in the affected areas return to normal.

2. Recent experience in other countries

- 1.47 In November 1997, the Bank approved loans 1057/OC-EC and 1058/OC-PE to support the governments of Ecuador and Peru, respectively, in adopting measures for prevention, emergency response, and mitigation of the social and economic impact of El Niño. A loan is also being prepared to assist Paraguay with the emergency caused by the same phenomenon.

- 1.48 In designing and processing the first two operations, special procedures were adopted to accelerate presentation of the proposals to the Bank's Board of Executive Directors, as provided for in OP-704. On both occasions, simplified contracting and procurement procedures were approved, as were disbursement mechanisms geared to the urgency of obtaining the services and goods needed to cope with the emergency and alleviate the isolation of the hardest-hit communities. Following the same principles, the present operation proposes similar procedures.

3. Experience in Argentina

- 1.49 In April 1987, the Argentine Republic and the Bank signed loan contract 214/IC-AR for US\$75 million and second amending contracts for loans 62/IC-AR, 65/IC-AR and 396/OC-AR. Through these loans, the Bank helped the country to repair the damage caused by flooding in the provinces of Buenos Aires and La Pampa in 1982 and 1985/96. The main lesson learned from that experience is the need for adequate institutional coordination in a program in which different agencies are involved, even in cases where they carry out similar activities in the same sector. The project completion report for the earlier operation also recommended that an executing unit be established with sufficient authority and human and financial resources, and that institutional strengthening be provided for federal and provincial institutions.

4. Effects on the current loan portfolio

- 1.50 An initial analysis of the current loan portfolio with respect to projects in the regions affected by the floods did not identify any potential impact on progress in executing the projects or achievement of their objectives.

II. THE PROGRAM

A. Objectives

- 2.1 The objective is to provide support for the economic and social recovery of affected zones through activities to attenuate the impact of the floods, reconstruct and rehabilitate economic and social infrastructure, and mitigate damage from similar catastrophes in future through preventive actions.

B. Program components

- 2.2 The program provides for a series of activities that have been grouped into three components.

1. Mitigation component (US\$30 million)

- 2.3 The objective of this component is to make an immediate contribution to attenuating the impact of the situation on people who have been forced from their homes by the floods.
- 2.4 The component includes financing for activities to minimize loss of lives and property which were undertaken as soon as water levels indicated that certain areas would be hard hit by floods.
- 2.5 The component chiefly covers moving people out of the reach of the water, building and equipping temporary shelters, providing food, construction of temporary dikes to contain the water, temporary installation of pumping equipment in zones prone to flooding in urban areas, and emergency road repairs to reach and evacuate victims.
- 2.6 The works required to mitigate the immediate impact of the floods were carried out by national, provincial, and municipal authorities, who received donations from Argentinians and from other countries (USA, Brazil, France, and Spain) to assist the victims (particularly food, equipment for the shelters, clothing, and medicine).
- 2.7 Costs related to the following will be financed:
- a. Protection systems. Construction of embankments, and dikes made of earth or other materials to protect populated areas
 - b. Drainage systems in urban areas. Construction and cleaning of drains for better removal of stormwater.
 - c. Drainage systems in rural areas. Cleaning of beds, drains, and channels to facilitate water runoff.

- d. Temporary resettlement. Outfitting of premises, transportation, clothing, medicine, and food.

2.8 This component will be totally financed from the local contribution.

2. Repair and/or reconstruction component (US\$430 million)

2.9 The repair or reconstruction of public infrastructure in the following sectors for the following types of works will be included in the program.

a. Transportation

2.10 Includes the repair of: (i) national, provincial, and rural roads damaged by the floods and related civil works in order to reestablish passenger and freight transportation in the affected areas; (ii) repair of damage to city streets; and (iii) repair of damage to ports and airports in the affected provinces.

2.11 The funds allocated to this component will be used to finance works in the categories mentioned below that comply with the eligibility criteria for this operation, have designs and bid documents approved by the Bank, and are contracted under the procedures established in the program operating regulations.

2.12 Road rehabilitation. Includes reconstruction and/or repairs over about 43,000 km of primary, secondary, and rural roads damaged by the floods. The main purpose of the works on national highways is to restore the original condition, and on provincial and rural roads, to provide rapid solutions to reestablish the production chain in rural areas. The main works to make these roads passable again will be: (i) repair and/or reconstruction of wooden bridges and reinforced concrete bridges and pontoons to replace those that have been destroyed or made unusable by the floods; (ii) rebuilding of grades and embankments; (iii) removal of unstable soil and replacement with suitable materials; (iv) replacement of damaged wearing courses and spot improvements in areas where passage is difficult; (v) protection of slopes in areas subject to erosion; (vi) installation and/or rehabilitation of drains, culverts, walls and other means of channeling surface and groundwater to improve drainage and prevent pooling and erosion; (vii) replacement of signage and road safety devices that were destroyed; and (viii) procurement of metal or concrete pipes to replace those that were damaged or the construction of new drains.

2.13 Studies and projects. Includes contracting consulting services to produce technical, environmental, and financial studies and working designs to define and determine the costs of the works, goods, and services to be financed by the Program.

- 2.14 The DNV, which is the coexecuting agency for the roads component, will supervise and monitor performance of the studies and approve them.
- 2.15 Works supervision. Includes contracting consulting services for technical and financial supervision of the works, and for monitoring and supervising the environmental protection measures included in the projects. Supervision will be performed by consulting firms or individual consultants.

b. Sanitation and potable water

- 2.16 Includes: (i) the repair of potable water systems, new sources to replace wells affected by severe groundwater contamination, compact water purification plants for groundwater and surface water, and rehabilitation of reservoirs, minimum distribution, and public taps; (ii) rehabilitation of sewage treatment systems, repair of treatment plants and filters, and of sanitary facilities and supplementary works to reestablish these public services.

c. Social infrastructure

- 2.17 Two actions are included in this area: (i) rehabilitation of damaged housing by supplying materials for replacement and/or expansion, including basic infrastructure services; (ii) relocation of families through the provision of materials for the construction of new houses on suitable land, including basic infrastructure services. The Bank's operating policy OP-105 on human resettlements is to be followed. Bank funds will only be used for the purchase of materials for housing solutions. A preliminary estimate places the number of families who will benefit from relocation at 2,000. Some 12,700 families will benefit from housing rehabilitation, with some 1,700 families assisted under the Arraigo plan. The estimated cost is US\$4,000 for each house to be repaired, and US\$8,000 for each new house. An attempt will be made to reduce the cost per housing solution, in order to increase coverage and include a larger number of beneficiaries.
- 2.18 The component includes minor rehabilitation and/or repairs to public buildings such as schools, community kitchens, public health centers, and community or municipal centers, to be put back into service as quickly as possible. Funds may also be provided to cover the cost of cleaning and repairing premises used for temporary settlements during evacuation.

d. Agriculture

- 2.19 Repair of small hydraulic works (drainage and off-farm irrigation) that will not affect the environment; damaged off-farm rural electrification lines; construction of community corrals in areas safe from flooding for the cattle of small farmers in the zone; and procurement of vaccinations for foot-and-mouth disease.

2.20 Studies and designs for all works in the program approved by the Bank can also be included.

3. Institutional strengthening component (US\$5 million)

2.21 This component includes the following activities:

- a. Studies. Studies on dredging and drainage, maintenance, and protective works in the context of watershed studies. In all cases, studies will cover environmental impact assessment and mitigating measures.
- b. Early warning system. Design and implementation of an information and communications system to reduce the impact of future floods.
- c. Strengthening and training. Design and implementation of mechanisms to help institutions manage emergencies and to train their staff.

2.22 The Argentine government considers that the United States Federal Emergency Management Agency (FEMA) has extensive experience and technical capacity. It has designed and implemented a prevention system that operates effectively. Accordingly, its specialized technical assistance will be indispensable for this component.

C. Scale of the infrastructure reconstruction and rehabilitation component. Allocation by sector

2.23 The following were taken into account in scaling the program: (i) evaluation of the damages in each sector; (ii) other complementary actions to be carried out in tandem, particularly those financed by the IBRD; (iii) the institutional capacity of the coexecuting agencies; and (iv) the relatively short period over which the program will be implemented (see table II-1).

**Table 2.1. Preliminary sector distribution
(US\$ million)**

Sector	IDB	Local	Total
Social	30	90	120
Housing (Arraigo program)	20	0	20
Agriculture (SAGPYA)	40	10	50
Transport (DNV)	180	40	220
Sanitation (ENOHSA)	20	0	20
Total	290	140	430

- 2.24 A preliminary allocation by sector has been made on the basis of the level of project preparation. The allocation will be reviewed during each evaluation in December and funds may be redistributed among the sectors depending on progress in each area.

D. Program costs and financing

- 2.25 The following cost table shows the main components, their estimated cost, and distribution by source of financing.

**Table II-2. Cost and financing
(US\$ million)**

Category	IDB	Local	Total	%
A. Administration and supervision	3.0	1.2	4.2	0.8
1. Coordination	0.0	1.0	1.0	
2. Supervision, coexecuting agencies	1.6	0.2	1.8	
3. Financial auditing	1.4	0.0	1.4	
B. Direct costs	294.0	171.0	465.0	93.0
1. Mitigation component	0.0	30.0	30.0	
2. Reconstruction component	290.0	140.0	430.0	
3. Institutional prevention component	4.0	1.0	5.0	
C. Financial costs	3.0	27.8	30.8	6.2
1. I&S	3.0	0.0	3.0	
2. Credit fee	0.0	2.4	2.4	
3. Interest	0.0	25.4	25.4	
Total	300.0	200.0	500.0	100.0
%	60.0	40.0	100.0	

- 2.26 The program will cost a total of US\$500 million, with Bank financing of US\$300 million from the ordinary capital. The financial matrix includes an additional 10% for group A countries in view of the poverty impact of the program. As can be seen in Table II-2, the matrix is 60% Bank financing and 40% local counterpart resources.

E. Equity and transparency

- 2.27 The program is based on two fundamental criteria: equity and transparency.
- 2.28 The concept of equity means that program funds will be distributed among the provinces based on the relative damage they have

incurred. Therefore a preliminary allocation by province has been designed up to December 1998 (see table II-3). The unallocated funds will be distributed on the basis of a final assessment of damages.

**Table II-3. Preliminary distribution by province
(US\$ million)**

Sector	Housing		Roads		Agriculture		Sanitation		
Province	% 1/	Amount	% 2/	Amount	% 3/	Amount	% 4/	Amount	Total
Formosa	22.0	21.6	5.7	9.7	5.0	1.5	15.0	3.00	35.80
Chaco	18.0	17.6	20.4	34.3	36.0	10.8	25.2	5.05	67.75
Misiones	3.0	2.9	13.6	22.8	5.0	1.5	17.5	3.50	30.70
Corrientes	30.0	29.4	20.0	34.3	20.0	6.0	26.5	5.30	75.00
Santa Fe	11.0	10.8	24.1	39.7	27.0	8.1	0.8	0.15	58.75
Entre Rios	16.0	15.7	25.5	27.2	7.0	2.1	15.0	3.00	48.00
Total	100.0	98.0	100.0	168.0	100.0	30.0	100.0	20.00	316.00

- 1/ The total allocation for this sector is US\$140 million, but the initial allocation is 70% of that sum, distributed in proportion to the number of evacuees in each province.
- 2/ The total allocation for this sector is US\$220 million, but the initial allocation is 75% of that sum, distributed in proportion to damages determined by the DNV in conjunction with provincial and local authorities.
- 3/ The total allocation for this sector is US\$50 million, but the initial allocation is 60% of that sum, in proportion to the damages evaluated by SAGPYA.
- 4/ The total allocation for this sector is US\$20 million and it is fully allocated in proportion to the damages detected by ENOHSA in conjunction with provincial and municipal authorities.

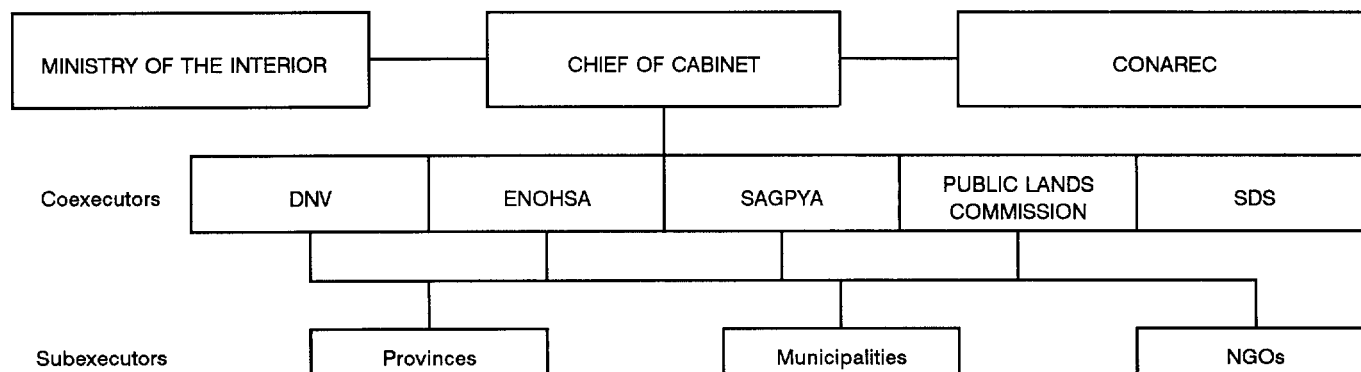
- 2.29 Transparency means that apart from normal Bank procedures, an additional effort will be made to: (i) publicize the selection and priority of projects, particularly on the local level; and (ii) ensure maximum participation by civil society organizations in designing and programming actions. During the emergency stage, participation by Caritas and the Red Cross was decisive in lending transparency to the process. Every effort will be made to ensure continuing support from institutions of this kind.

III. PROGRAM EXECUTION

A. The borrower and the executing agency

- 3.1 The borrower will be the Republic of Argentina. The executing agency will be the Jefatura de Gabinete de Ministros (JG) [Office of the Chief of Cabinet], which will establish a national program directorate (NPD) to coordinate activities with the Ministry of the Interior. The NPD may also draw on the advice of the Consejo Nacional de Recuperación de las Zonas Afectadas por Emergencias Climáticas (CONAREC) [National Council for Natural Disaster Recovery]. The NPD will be chaired by the chief of cabinet and composed of coordinators responsible for each of the program's components. The national institutions responsible for specific sectors will act as coexecuting agencies, including the Dirección Nacional de Vialidad (DNV) [National Roads Directorate], the Ente Nacional de Obras Hídricas de Saneamiento (ENOHSA) [National Waterworks and Sanitation Authority], the Secretaría de Desarrollo Social (SDS) [Department of Social Development], the Arraigo program of the National Public Lands Commission, and the Department of Agriculture, Livestock, Fisheries, and Food (SAGPYA) of the Ministry of Economic Affairs and Public Works (MEYOSP). Provincial and municipal institutions and nongovernmental organizations that sign agreements with the executing or coexecuting agencies may also participate as subexecuting agencies.

EXECUTION CHART



B. National program directorate

- 3.2 The national program directorate (NPD) will operate with a team specially created to coordinate program execution. The team will be composed of a general coordinator (national program director), sector coordinators, an environmental coordinator, an administrator, an accountant, and a systems specialist.

- 3.3 The composition of the NPD and its functions are established in the operating regulations attached as a technical annex (Annex III-1).
- 3.4 Appointment of the members of the NPD will be a condition precedent to the first disbursement.
- 3.5 If it is found that additional support is required during the program to plan post-emergency activities or to monitor environmental aspects, local or international consultants or consulting firms may be hired with loan proceeds.

C. Coexecuting agencies

- 3.6 The National Highways Directorate (DNV) has a long history of executing Bank operations, dating back to 1961, through nine loans to finance five road programs. It has the capacity to carry out the actions required for this program but will need to hire consulting services to provide support in reviewing the designs and supervising the works, considering the short implementation period.
- 3.7 Depending on their complexity, studies, designs, specifications, and bid documents will be prepared by consulting firms or individual consultants, following the selection and contracting procedures described below. To obtain economies of scale, ensure that design criteria are homogeneous, and facilitate contract administration, projects will be packaged to the extent possible on the basis of geographic location and similarity, to be awarded to a single consulting firm.
- 3.8 Direct supervision will be authorized upon confirmation that the DNV has the necessary resources, equipment, and personnel, in terms of numbers and quality, to comply with requirements similar to those established in the terms of reference for contracted supervisory services.
- 3.9 ENOHSA, the SDS and SAGPYA have also executed programs financed by the Bank, and with their current structures they are not expected to encounter difficulties in carrying out the program in their respective spheres of action.
- 3.10 The National Public Lands Commission (Arraigo Program) does not have previous experience with activities financed by the Bank. However over a period of seven years it has efficiently transferred 6 million square meters of land and provided permanent housing solutions for 25,000 families (some 90,000 people). With that experience, it is not expected to encounter difficulties in participating in the program.
- 3.11 The responsibilities and activities of the coexecuting agencies and those of potential subexecuting agencies are described in the operating regulations.

D. Execution mechanisms

3.12 The program will be implemented on the basis of requests for financing for eligible activities presented by the coexecuting or subexecuting agencies, which will take responsibility for carrying out the different activities, in accordance with their operating capacity.

3.13 Every effort will be made to retain the continued support of public and private local agencies (including nonprofit organizations) in order to tap their experience in designing and implementing program activities, particularly with respect to humanitarian aid, technical monitoring, and the design of mechanisms to publicize the program. The coexecuting agencies will actively seek the broadest possible participation by the local population in designing solutions, particularly in the case of resettlement.

3.14 The eligibility criteria for projects to be financed under the program are described below.

1. General criteria

3.15 For an activity to be eligible for inclusion in the program, it must meet the following general requirements:

- a. Be located in an area declared to be an emergency zone by the national government;
- b. Show evidence that the damages were caused by El Niño;
- c. Be included in the sectors and types of activities defined for the program;
- d. Comply with the program's environmental criteria; and
- e. Not be receiving financing from another source.

2. Specific criteria

- a. Depending on the stage in which the activity is performed

3.16 In addition to the general requisites, projects must comply with the following specific criteria.

(i) During the emergency ^{1/}

- (i) Have a technical fiche describing the activity, budget, implementation period, and the institution in charge;
- (ii) Present a breakdown of costs and supporting documentation;
- (iii) Be approved by the respective coexecuting agency, if the activity is carried out by a subexecuting agency.

(ii) After the emergency

- (i) Have technical justification, and for new works that are indispensable for a reconstruction project, an environmental evaluation and a cost-benefit analysis;
- (ii) Present a breakdown of costs and supporting documentation; and
- (iii) Be approved by the respective coexecuting agency, if the activity is carried out by a subexecuting agency.

(iii) Temporary resettlement

3.17 For temporary resettlement, information should be presented to the Bank on the maximum duration and on how the facilities will be managed. These activities may only be financed by the local counterpart.

b. Sector of activity

3.18 In addition to the preceding requirements, proposals must comply with the following sector requisites.

- a. The mitigation activities mentioned in paragraph 2.7 will be financed.
- b. Rehabilitation and/or reconstruction activities must belong to the sectors and types described in paragraphs 2.9 to 2.19.

E. Approval procedure

3.19 For an activity to be declared eligible and receive financing under the program, the executing agency will follow the procedure described below.

^{1/} Activities "during the emergency" are, by definition, urgent and relatively short-term to reestablish essential services and supply basic necessities.

- 3.20 The subexecuting agencies will present requests for financing to the pertinent coexecuting agency, based on the criteria mentioned above. If the proposal is approved and is supported by the province, it will be remitted to the NPD for approval, which will determine whether to include it in the program. Analogous procedures will be followed for initiatives taken by the coexecuting agencies.

F. Financial execution mechanism

- 3.21 Each coexecuting agency will have a preliminary allocation for activities in 1998 and 1999. Commitment and execution levels will be reviewed as of December 31, 1998. The uncommitted balance at that time may be redistributed for commitment and execution within the established deadlines.
- 3.22 Program funds transferred by the NPD will be deposited by each of the coexecuting agencies into special accounts with separate accounting procedures.

G. Cost recognition and advance funds

- 3.23 Since mitigation activities began in May 1998 when the state of emergency was declared and the federal and provincial governments have spent heavily, it is recommended that up to US\$30 million be recognized from the local contribution. The project team and its national counterpart examined the procurement procedures followed and the types of supporting documents available, and it is estimated that they are compatible with those established in the operating regulations.
- 3.24 In view of the size of the operation, funding requirements, and the flows needed to cover costs during the program, it is recommended that a revolving fund be established up to the equivalent of 5% of total financing.

H. Commitment and disbursement terms

- 3.25 The term for committing the loan proceeds under signed contracts for works and/or goods will be 18 months after the loan contract becomes effective. Disbursements will take place over 30 months counting from that same date. Any financing proceeds not committed or disbursed within the periods specified will be cancelled automatically.
- 3.26 The initial report required contractually as a condition precedent to disbursement of the loan will include a list of the projects included in the program as of that date, indicating the coexecuting agency, the subexecuting agency if pertinent, location, amount committed, and implementation procedure. This information will be updated each month and will be consolidated and closed at the end of the commitment period.

- 3.27 The estimated disbursement schedule for the loan and the local counterpart is:

	(US\$ millions)						
	Prior expenditures	Semester I	Semester II	Semester III	Semester IV	Semester V	Total
Bank		50	60	80	70	40	300
Local	30	10	30	55	50	25	200
Total	30	60	90	135	120	65	500

I. Procurement of goods and contracting of works and services

1. Regular procedures

- 3.28 Procurements of goods and services for civil works and consulting contracts financed under the program will be carried out in accordance with Bank procedures (Annexes B and C of the loan contract) and with the rules established in this document. International public bidding will be required for goods and services worth US\$350,000 or more, for works worth US\$5 million or more, and for consulting contracts worth US\$200,000 or more. Contracts and procurements below those amounts will be governed by national or provincial legislation, as pertinent, provided it is not in conflict with Bank policies.

2. Special procedures

- 3.29 As long as the state of emergency remains in effect, the Bank will simplify procurement procedures to enable the coexecuting agencies, should they wish, to act as follows.

a. General and specific procurement notices

- 3.30 The general procurement notice will be published in *Development Business*. It will include the planned program for procurements of goods and services and contracts for works and consulting services. It will mention that specific procurement notices will be published in the national and provincial press, instead of in *Development Business*, and on the Internet. Notices in the national press and on the Internet are to specify that no restrictions will be placed on participation by foreign firms.

b. Procurements requiring international public bidding

- 3.31 (i) Normal Bank procedures will be followed with the exceptions noted in paragraph 3.29 (ii) and (iii).

- (ii) Post-qualification may be used for procurements of works and goods, to determine whether the lowest bidder has the technical, financial, legal and other resources indicated in the bid documents. If it does, it will be awarded the contract. If not, the second and subsequent bids will be analyzed until a qualified bidder is found.
 - (iii) For consulting services, the specific procurement notices will request that expressions of interest be accompanied by technical proposals and financial bids in separate envelopes. Bidders will be informed of the selection criteria to be used. The best firm will be chosen to negotiate the contract. This will replace the normal procedure involving prequalification, short lists, and invitations to bid.
- c. For procurements not requiring international public bidding
(short procedure)

3.32 The following procedures will be used:

- (i) With the exceptions described in (ii) below, these procurements may be made through a short procedure that ensures equity, competition, public notice, and due process. The procedure is described in Annex B1 of the loan contract and Annex III-2 in the technical files. It will be applied in contracting works and related services whose estimated cost is under US\$5 million and goods and related services worth less than US\$350,000.
- (ii) Goods worth US\$75,000 or less and works worth US\$350,000 or less will be procured through price shopping, which may be international and/or local. This method will include the submission of written quotes and a record will be kept of the proceedings at which they are opened. Quotes will generally be solicited from three or more local and/or foreign suppliers to obtain the best price.

3. Force account and direct contracting

3.33 The Bank may recognize costs incurred by the coexecuting agencies for works performed on force account up to a maximum of US\$15 million from the local counterpart, backed with suitable justification. At the government's request, the program also plans to contract the Federal Emergency Management Agency directly as a specialized agency to advise on the design and implementation of the institutional strengthening component (paragraph 2.21).

4. Review procedures

- 3.34 For goods and works requiring international public bidding, the Country Office will perform an ex ante review of each step in each bid call. In all other cases, it will perform an ex post review of a sample of the supporting documentation for goods and works, except for the three first bids by ENOHSA, SDS, and the National Public Lands Commission (Arraigo Program).
- 3.35 The Bank will examine in advance the terms of reference, selection procedures, their application, and the contracts with consulting firms estimated to cost more than US\$200,000. The Bank will also examine contracts for individual consultants worth US\$50,000 and over in advance. In all other cases, the Bank will perform ex post reviews of samples of supporting documentation for each consulting service.
- 3.36 Should the ex post reviews find that the procedures agreed upon have not been followed, the procurements and contracts in question will not be financed from loan proceeds. The Country Office may increase or reduce the size of the sample depending on the results and the experience gained by the coexecuting agencies. The Bank reserves the right to switch to ex ante reviews at any time.

J. Operation and maintenance

- 3.37 Each of the coexecuting and subexecuting agencies or the end beneficiaries of the public works and equipment financed with the loan will undertake to operate and maintain the works and equipment up to generally-accepted technical standards. To that end, the borrower will prepare information on the status of maintenance of works and equipment, based on the results of the supervision of Bank-financed projects, within the first quarter of each calendar year starting in 1999 and for the three years following disbursement in full. The information is to be kept readily accessible for examination by the Bank.
- 3.38 During the program and for three years after the final disbursement, the borrower will allow the Bank to visit and inspect the projects financed and if maintenance is not up to acceptable standards, the pertinent entity will be required to take steps to remedy the situation.

K. Inspection and supervision

- 3.39 The Bank will design inspection procedures to verify that the program is developing satisfactorily, including technical supervision of the works financed under the program. The NPD will prepare its own supervision plan and provide the necessary cooperation in this field. The sum of US\$3 million will be set aside for general program inspection and supervision.

- 3.40 The executing agency will keep information supporting the eligibility of all program activities readily accessible, to enable the Bank to perform ex post reviews of individual projects, samples of projects, or the entire universe. Activities that in its opinion do not comply with the eligibility requirements will not be financed with loan proceeds and if their costs have already been paid, the amounts will be deducted from the next disbursement request.

L. Program monitoring

1. Reports

- 3.41 Within the five working days after the end of each month, the NPD will present the Bank with the list of activities approved for inclusion in the program during that period, so that the Bank may request information on any of them for the purposes of the preceding paragraph, and to program inspection visits.
- 3.42 A mid-term review will be performed of progress up to December 31, 1998, in order to evaluate any deviations from the program and to reallocate funds if necessary.
- 3.43 The NPD will present the Bank with semiannual progress reports with an appropriate breakdown of works and equipment financed, the beneficiaries assisted, the procedures followed in using the loan proceeds, and the number of projects approved during the period. It will also present a final report consolidating all previous information.

2. Program auditing

- 3.44 The executing agency will present annual financial reports audited by an independent firm of public accountants acceptable to the Bank, within the first 120 days of each year, starting in 1998 (which should include cost recognition).
- 3.45 The work of the firm of independent auditors should begin when the program begins and the auditors should duly certify partial reports with each of the disbursement requests, covering the costs contained in those requests. The reports should indicate that the costs are eligible, related to the project, and properly posted in the books. The supporting documentation for each of the requests will be made available to the Bank for ex post reviews in accordance with its policies and procedures.
- 3.46 The partial reports will be used as the basis for preparing a consolidated annual report, to include the following information: (a) the basic financial statements of the program (income and disbursements, statement of investments, and notes to the financial statements); (b) supplementary financial information; report on compliance with the contractual clauses; (c) report on the

accuracy, validity, adequate compilation, and evaluation of the supporting documentation for the disbursement requests presented to the Bank; and (d) recommendations on the program's internal control structure.

- 3.47 In addition, the external auditors will perform selective physical inspections, following their own procedures, of some of the works financed in full or in part under the loan. They will include the results of these inspections in their annual reports.

3. Environmental monitoring

- 3.48 In general, the actions included in the program will reduce the impact of natural disasters. However, in order to minimize environmental damage, the criteria mentioned below have been established for the program.

3.49 General criteria:

- a. The program's activities are based on the principle of sustainability. All environmental consequences should be assessed early in order to avoid, attenuate, or compensate for negative impact. Planning should include environmental and vulnerability criteria.
 - b. Preventive and emergency response activities, owing to their nature and limited duration, will not require environmental impact assessments. However, ex post environmental audits may be performed of those activities, and if negative impacts are identified, they will be corrected using program funds during the post-emergency stage.
 - c. Owing to the nature and size of the repair and reconstruction projects to be carried out after the emergency, most will require a preliminary environmental assessment. Some projects may require more detailed environmental studies (possibly works in the transportation, agricultural, sanitation, and health sectors). In each case, it will be verified that the projects comply with the country's environmental legislation and standards or, if none exist, with internationally recognized practices. The criteria applied will prevent reconstruction of infrastructure or re-establishment of activities in areas that could be flooded, based on the current flood parameters.
 - d. Program activities will not impinge on parks or protected areas, cultural heritage sites, environmentally fragile zones, or areas of ecological interest.
 - e. Participation by affected groups will be encouraged.
- 3.50 Sector environmental criteria. The environmental criteria for road works have been agreed upon with the Bank and are set forth in the

manual for the environmental assessment and management of road works. For agricultural infrastructure, the environmental manual for loan 899/OC-AR, provincial agricultural services program (PROSAP), currently under way, will be used. The document on environmental procedures for programs and projects financed by ENOHSA will govern works in the sanitation sector. For works to upgrade housing, the environmental criteria set forth in the neighborhood improvement and sites and services program (940/OC-AR) will be applied.

- 3.51 The NPD will coordinate closely with provincial and municipal environmental authorities to ensure that its recommendations are included in the program. It will make use of the information, protection plans, expert advice, and other resources available in international agencies that manage emergency programs in other countries.

4. Institutional strengthening

- 3.52 In addition to financial, technical, and environmental monitoring of the program, the NPD will include activities to design a system to prevent natural disasters and to cope with future emergencies, tapping the installed capacity of different institutions. The Argentine government considers the support to be provided by FEMA, given its experience and technical capacity, to be of utmost importance for activities of this kind.

5. Bank supervision

- 3.53 The Bank's Country Office in Argentina will prepare a plan of inspection and supervisory visits to oversee smooth development of the program. The plan will be adjusted based on the needs detected during its course. Apart from inspecting the works, the visits will be used to meet with officials from the coexecuting and subexecuting agencies, local authorities, community representatives, and NGOs, to learn their opinions about the program.
- 3.54 In addition to regular project monitoring and supervision, the Country Office in Argentina will assign a specialist to the program who will work together with other specialists in the sectors covered, including transportation, agriculture, sanitation, environment, and the social sectors.
- 3.55 During the first year of the program, after receiving each of the monthly reports mentioned in paragraph 3.41, meetings will be held between staff from the Country Office and the NPD to evaluate program status and compliance by the coexecuting and subexecuting agencies with the operating regulations. After the first year, the meetings will be held quarterly.

M. Ex post evaluation

- 3.56 The borrower undertakes to obtain and keep on file the information required for an ex post program evaluation. The operating plan will define the types of information and the frequency with which data should be compiled.

N. Publicity

- 3.57 Once the operating regulations have been placed in effect, a summary will be published in a major national newspaper and in local newspapers in the provinces included in the program, containing: (i) a description of the program's components; (ii) selection criteria for activities eligible for financing; (iii) the formal requirements for including projects originated by a local or provincial agency in the program; and (iv) the addresses, telephone and fax numbers of the NPD and other institutions that can provide information about the program.
- 3.58 During the program, the NPD will prepare bimonthly reports which will list the projects included. These reports will be published in national and local newspapers in the provinces involved and publicized in other mass media. The reports will be made available to NGOs involved in the program.
- 3.59 The notices indicated in paragraph 3.29 on procurements under the program will also be published.

IV. PROGRAM FEASIBILITY, BENEFITS, AND RISKS

A. Institutional feasibility

- 4.1 The Argentine government has established CONAREC to improve institutional coordination of the government agencies with specific responsibilities for the prevention and mitigation of emergencies. The council will ensure participation on the national, provincial, and municipal levels of all the players involved in responding to natural disasters.
- 4.2 The institutional design for program execution includes participation by CONAREC and agencies with greater experience in the programming, design, and implementation of actions to prevent and mitigate emergencies and in post-emergency reconstruction.

B. Technical feasibility

- 4.3 The projects to be financed by the Bank are not overly complex and conventional engineering solutions can be used in their designs. The DNV, which is responsible for the roads component, has design standards and full specifications for all the activities included in works of this kind. The DNV can also sign inter-institutional agreements with subexecuting agencies (provincial and municipal roads departments) which will establish and govern all activities, based on the specific capacities of each.
- 4.4 In the other sectors (housing, sanitation, etc.), all the projects are simple and do not present difficulties. The coexecuting agencies have the experience required to implement them.

C. Environmental feasibility

- 4.5 Since the impact of natural catastrophes such as El Niño causes deep alterations in the natural and human environments and the activities included in the program are intended to prevent, reduce, and/or mitigate harmful impact, the net environmental effects of the program will be positive, with large social benefits.
- 4.6 The activities to be carried out during the emergency are intended to repair, reconstruct, and/or improve the road and sanitary (water and sewer) infrastructure that has been damaged and to recoup the productive capacity of agriculture. Owing to the intrinsic nature of the proposed activities and the time constraints, the environmental assessments to be performed will be preliminary, except for rehabilitation and reconstruction works that involve significant modifications, for which full environmental assessments will be conducted.

- 4.7 The general and sector environmental criteria established in the operating regulations will be applied in all cases and all projects must also comply with the environmental standards in effect in their areas. For rehabilitation and reconstruction works that require environmental impact assessments, the guidelines contained in the manuals of the National Roads Directorate (manual on the environmental assessment and management of road works), ENOHSA (environmental procedures for programs and projects financed by ENOHSA), and the environmental manual for loan 899/OC-AR, provincial agricultural services program (PROSAP) will be applied. The respective bid documents will clearly state the scope of the evaluations to be performed. Last, the NPD will have an environmental specialist who will supervise the environmental actions to be carried out by the coexecuting agencies and prepare a plan to monitor those actions under the program.

D. Program benefits and risks

1. Benefits

- 4.8 The basic benefit of this operation will be to assist with measures to mitigate economic losses in the different regions by restoring destroyed or damaged infrastructure to operating condition and attenuating the social impact on the most vulnerable groups.
- 4.9 Low-income groups will be the main program beneficiaries, since the victims of floods and droughts generally live in the most exposed and poorest urban and rural areas. The operation will also strengthen the response capacity of the institutions in charge of managing emergencies, making it possible to attenuate the destructive effects of similar catastrophes in future. The designs of the works to rehabilitate infrastructure will include measures to protect them from natural phenomena, which will reduce future negative impact on the public and on productive activities, for a direct, positive, and permanent impact on the socioeconomic development of the areas in which they are carried out.

2. Risks

- 4.10 The main risk that could affect the program's objectives and alter its goals is linked to the possibility that El Niño may continue or recur in the region with similar or greater intensity during the program. This could impede execution of the works, aggravate existing damage, and increase the need for resources to protect the public and rehabilitate infrastructure.
- 4.11 Another risk, which will be minimized through institutional strengthening activities, would be difficulties in coordination since different public agencies are involved which do not normally have sufficient resources to deal with items that are not planned in their programs of activities. This risk will be minimized given

the good coordination that has existed during the program preparation stage.

3. Poverty impact

- 4.12 Although this program is not targeted to poverty alleviation, it meets the poverty focus requirements since most of the beneficiaries are poor. An estimated 80% of the direct costs of the program will benefit the poorest population in the affected areas, which are marginal urban groups and small rural producers. The 100,000 evacuees are very poor and the works to rehabilitate housing and repair potable water and sanitation systems will assist this group. Fifty percent of the investments in the agricultural sector are targeted to small producers, and 70% of the works to repair and reconstruct highways are for rural roads that will chiefly benefit small producers in the affected regions.

**EMERGENCY FLOOD REHABILITATION PROGRAM
LOGICAL FRAMEWORK**

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Reduce the adverse social impact caused by the floods	<ul style="list-style-type: none"> - Assistance for 100,000 evacuees - Changes in production volumes in the affected zones - Changes in poverty indexes in the hardest-hit departments - Migratory processes from the affected zones 	<ul style="list-style-type: none"> - Distribution of humanitarian aid, vaccines, and medicine, food, clothing, blankets, etc. - Provincial and national socioeconomic statistics - Specific censuses and surveys in the affected zones - Evaluations and audits requested by the Bank 	<p>There will be no new catastrophes during the program</p> <p>Coordination among the agencies and their participation takes place envisaged in the program</p>
Reduce the impact on the most vulnerable groups	Humanitarian assistance, food, shelter, medicine, and medical care	<ul style="list-style-type: none"> - Food assistance for 100,000 evacuees, clothing, medicine, etc. 	The effects of the floods will begin starting in July 1998
Restore the infrastructure and prevent future damage	<p>Reopening of transportation infrastructure in the affected zones</p> <p>Reestablishment of basic services in the affected zones</p> <p>Construction of protective works to prevent future floods</p>	<p>Inspections and surveys of damaged areas</p> <p>Inspections and progress reports on the planned works and installations</p>	There will be no new catastrophes during the program
Enhance the response capacity of agencies responsible for managing emergencies	<p>More trained staff and more physical resources and equipment to rapidly assist victims</p> <p>Better weather forecasting capacity and alert systems for natural disasters</p> <p>Better coordination and communications capacity</p>	<p>Reports on progress in training programs; procurements</p> <p>Availability of modern equipment and instruments and a meteorological data processing system</p>	<p>Technical assistance is contracted; training plans are carried out on site</p> <p>Coordination among the agencies and their participation takes place envisaged in the program</p>

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
S			
<u>component</u>	Assistance for 100,000 evacuees	Distribution of blankets, food, temporary shelter, medicine, etc.	The floods continue to abate in June
tion and/or rehabilitation ment of service levels under tions on national, provincial, roads	Rehabilitation and/or reconstruction works along approximately 2,800 km of national highways (affected areas) Rehabilitation and/or reconstruction works along approximately 42,200 km (affected areas) of provincial and rural roads.	Reports on road passability by the DNV and the provincial directorates Reports on the physical and financial advance of the program Inventories of the condition of national, provincial, and rural roads Inspections of the affected roads Records of acceptance of works	Contracting of studies, supervisory works, and procurement proceeds Climate conditions improve and w rivers returns to normal
tion of potable water and systems	Small works in 179 municipalities		
rehabilitation or reconstruction	Rehabilitation and construction of 14,700 houses	Physical progress reports	
f roads destroyed or flooded proved to better resist flooding on	Specific improvements in zones where travel is difficult by raising embankments, improving surfaces, canalization, and drainage capacity	Physical and financial progress reports Inspection visits and records of acceptance of works	
d implementation of an alert er prevention system	Improvement in prevention mechanisms and savings in economic and social costs in future	Contracting of technical assistance	
activities will be spelled out in plan to be presented to the orrower within 30 days after the ed	The operating plan includes the main events, goals, and dates for the completion of each activity	Progress in the execution schedule set out in the operating plan	Systematic follow-up of all operatio the entire program Timely adoption of corrective meas there are deviations from the appro timetable

PROPOSED RESOLUTION

**ARGENTINA. LOAN /OC-AR TO THE REPUBLIC OF ARGENTINA
(Emergency Program for the Restoration of Areas affected by Floodings)**

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 Republic of Argentina, as Borrower, for the purpose of granting it a financing to cooperate in the execution of an emergency program for the restoration of areas affected by floodings. Such financing will be for the amount of up to three hundred million dollars of the United States of America (US\$300,000,000), which are part of the Single Currency Facility of the Ordinary Capital resources of the Bank, and will be subject to the "Special Contractual Conditions" and the "Terms and Financial Conditions" of the Executive Summary of the Loan Proposal.