

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

REGIONAL

**GLOBAL CREDIT PROGRAM FOR REGIONAL INTEGRATION OF THE
RIVER PLATE BASIN COUNTRIES**

(RG-L1115)

LOAN PROPOSAL

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ABBREVIATIONS

CDB	Caribbean Development Bank
ESMR	Environmental and social management report
FONPLATA	Fondo Financiero para el Desarrollo de la Cuenca del Plata [River Plate Basin Development Fund]
ICAS	Institutional Capacity Assessment System
LPI	Logistics performance index
MSMEs	Micro, small, and medium-sized enterprises
OECS	Organization of Eastern Caribbean States
OR	Operating Regulations
SARAS	Sistema de Administración de Riesgos Ambientales y Sociales [Environmental and Social Risk Management System]
UCAE	Unidad Coordinadora de Alianzas Estratégicas [Strategic Partnerships Coordination Unit]

PROJECT SUMMARY

REGIONAL GLOBAL CREDIT PROGRAM FOR REGIONAL INTEGRATION OF THE RIVER PLATE BASIN COUNTRIES (RG-L1115)

Financial Terms and Conditions				
Borrower: Fondo Financiero para el Desarrollo de la Cuenca del Plata [River Plate Basin Development Fund] (FONPLATA)			Flexible Financing Facility^(a)	
			Amortization period:	25 years
Executing agency: FONPLATA, acting through its Strategic Partnerships Coordination Unit (UCAE)			Disbursement period:	5 years
			Grace period:	5.5 years ^(b)
Source	Amount (US\$)	%	Interest rate:	LIBOR-based
			Credit fee:	^(c)
IDB (Ordinary Capital)	100 million	76.93%	Inspection and supervision fee:	^(c)
FONPLATA	30 million	23.07%	Original WAL:	15.25 years ^(d)
Total	130 million	100%	Currency of approval:	U.S. dollars
Project at a Glance				
Program objective/description: The program objective is to contribute to reducing disparities in integration among the countries of the River Plate Basin, focusing on priority border zones, through the implementation of FONPLATA-financed projects.				
Special contractual conditions precedent to the first disbursement: As special contractual conditions precedent to the first disbursement of the loan proceeds: (i) the Strategic Partnerships Coordination Unit (UCAE) has been established at FONPLATA, and the staff necessary for its operation have been appointed; and (ii) the program Operating Regulations (OR) are approved and in force, on the terms and conditions previously approved by the Bank (see paragraph 3.9).				
Exceptions to Bank policies: None.				
Strategic Alignment				
Challenges:^(e)	SI <input type="checkbox"/>	PI <input checked="" type="checkbox"/>	EI <input checked="" type="checkbox"/>	
Crosscutting themes:^(f)	GD <input type="checkbox"/>	CC <input type="checkbox"/>	IC <input checked="" type="checkbox"/>	

^(a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes in the amortization schedule, as well as currency and interest rate conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

^(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 (WAL) 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 relevant policies.

^(d) The original weighted average life (WAL) may be shorter, depending on the signature date of the loan contract.

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

^(f) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem to be addressed, and rationale

- 1.1 **River Plate Basin: Regional integration zone.** The River Plate Basin (the “basin” or “subregion”) is the second-largest watershed in Latin America, spanning 3.2 million square kilometers in Argentina, Bolivia, Brazil, Paraguay, and Uruguay. More than 130 million people, including 57 cities of over 100,000 inhabitants, are located in the basin, and its economy accounts for 70% of the GDP of the five countries.¹ The main economic activities are in the primary sector (fossil fuels, minerals, crop and livestock farming), agroindustrial production, and commerce.² The River Plate Basin is a natural area that integrates the five countries in corridors and border zones where they share natural ecosystems (mainly hydrographic), power grids, and transportation, communication, and other systems. Above and beyond its physical aspects, the strong cultural, social, and historical ties in the basin are pathways for social and economic integration.
- 1.2 **Integration problems and challenges.** The River Plate Basin offers great opportunities for regional integration that would generate multinational economic and social benefits, realizing its potential as a subregional market. However, that potential is limited by marked disparities in development, which are particularly apparent in the border zones between the countries of the basin. The main problems and challenges affecting border integration are: (i) disparities in logistical and infrastructure connectivity and its costs associated with regional trade; (ii) institutional and regulatory weaknesses in border zones; (iii) shortfalls in basic services infrastructure (water, sanitation, electricity); and (iv) lack of lending mechanisms tailored to the needs and limitations of border zones.
- 1.3 Taking a broad view of integration, the disparities in logistical and infrastructure connectivity are a significant drawback to trade in goods and services and regional trade flows. The World Bank’s logistics performance index (LPI)³ measures a series of integration and logistics factors⁴ and gives an idea of the extent of the problem. First, the basin countries fall into different scoring quartiles: Brazil scores in the highest quartile, Argentina and Uruguay in the second, Paraguay in the third, and Bolivia in the last. Despite this distribution, which points to the imbalances in the subregion, the countries share opportunities for improving their standing on the factors included in the index.⁵ The infrastructure and customs components of the index are of particular interest for this program, although all the others are relevant for integration. With regard to infrastructure, which is measured in terms of the quality of roads, ports, airports, and information technology for trade and transport, the disparities reemerge, with Brazil in the second-highest quartile together with

¹ Intergovernmental Coordination Committee of the River Plate Basin Countries: “La Cuenca del Plata: Población y Economía” [The River Plate Basin: Population and Economy], see: <https://goo.gl/miVEeO>.

² Ibid.

³ The LPI uses core components to aggregate the data into a single indicator that can be used for comparisons across countries.

⁴ (i) Infrastructure, quality of trade and transport infrastructure; (ii) customs; (iii) ease of shipping arrangements; (iv) quality of logistics services; (v) tracking and tracing consignments; and (vi) delivery timeliness.

⁵ The scores (high of 5 points) and rankings (160 countries) are: Brazil (3.09, 55), Uruguay (2.97, 65), Argentina (2.96, 66), Paraguay (2.56, 101), and Bolivia (2.25, 138). As a point of comparison, Germany scores 4.23/5 and ranks first.

Argentina and Uruguay, Paraguay in the third, and Bolivia in the fourth.⁶ By that measure, there is a need for investments in infrastructure to integrate the five basin countries. The rankings are similar for customs, which involves a mix of software and hardware to manage the clearance process.⁷ Over and above the quantitative results, the ranges seen in the index spotlight opportunities for upgrading infrastructure and customs in all the countries (the distance from the best country is great with respect to the factors mentioned, even for the basin countries with the highest scores), while confirming the existing disparities in integration between them. The investment in integration will enable the countries to improve their rankings, as well as their intraregional integration.

- 1.4 From a different angle, the “Trading Across Borders” datasets for the World Bank’s “Doing Business” report, looking beyond the final rankings, indicate that the costs of transporting a container of goods in Latin America and the Caribbean are high compared to other parts of the world. The basin countries are no exception, with Uruguay (US\$1,326) and Brazil (US\$1,185) being the most expensive at double the average for Latin America and the Caribbean (US\$637).⁸ Paraguay (US\$935), Argentina (US\$210), and Bolivia (US\$90) round out the list with costs that confirm the regional disparities and the problems described above (paragraph 1.3). These costs are relatively high, even controlling for the basket of goods, as shown by Moreira, Volpe and Blyde (2008)⁹ and Moreira, Blyde, Volpe, and Molina (2013),¹⁰ and justify the need to upgrade transport infrastructure and associated services, such as customs. These costs affect exports of goods as well as exports of services, such as tourism. The 2017 book “Better Neighbors: Toward a Renewal of Economic Integration in Latin America”¹¹ shows how the differences in transportation costs corroborate subregional disparities and provides an estimate which indicates that the basin countries do not live up to their potential and size in services integration. The study also shows that transportation and tourism services (identified there as personal recreation and travel) have high integration and trade potential, which is only exceeded by construction, thereby justifying the objective of the proposed program in terms of potential.
- 1.5 The border-zone institutional and regulatory frameworks are the weakest in each of the basin countries and are apparent in gaps between the different levels of the public administration, for example, in relation to the availability and use of information and communication technologies (ITCs) or the institutional capacity of

⁶ In infrastructure, Germany ranks first (4.44), compared to Brazil (3.11), Uruguay (2.79), Argentina (2.86), Paraguay (2.45), and Bolivia (2.11).

⁷ In customs, Singapore ranks first (4.18), compared to Uruguay (2.78), Brazil (2.76), Argentina (2.63), Paraguay (2.38), and Bolivia (1.97).

⁸ The calculations include the costs of paperwork and border compliance. Link to the calculation: [The World Bank. Trading Across Borders Methodology](#). Consulted on 18 July 2017.

⁹ Moreira Mesquita, M., C. Volpe, and J. Blyde. 2008. Unclogging the Arteries: The Impact of Transport Costs on Latin American and Caribbean Trade. Special Report on Integration and Trade. Washington, D.C., United States: Inter-American Development Bank.

¹⁰ Moreira, Mesquita, M., J. Blyde, C. Volpe, and D. Molina. 2013. Too Far to Export. Domestic Transport Costs and Disparities in Regional Exports in Latin America and the Caribbean. Special Report on Integration and Trade. Inter-American Development Bank.

¹¹ World Bank. 2017. Better Neighbors: Toward a Renewal of Economic Integration in Latin America.

- subnational governments.¹² These weaknesses stand in the way of fluid regional integration processes and translate into shortcomings at border facilities that limit the flow of goods and services. This also impedes the development of international tourism opportunities to tap the rich shared cultural and natural heritage.¹³
- 1.6 Border zones have a limited quantity and quality of public services (water, sanitation, electricity, greenspace, recreational areas, etc.), which affects quality of life for those living in border areas and makes border cities less useable as points for receiving and distributing income-producing goods and services. Examples of this are Posadas and Garupá (Province of Misiones) in Argentina¹⁴ and other border areas in the basin distinguished by acute economic and social deprivation, scarce resources, and difficulties in physical access, even to mid-sized cities. These conditions describe many border zones, particularly Foz do Iguaçu (Brazil) – Ciudad del Este (Paraguay); La Quiaca (Argentina) – Villazón (Bolivia); Santa Ana do Livramento (Brazil) – Rivera (Uruguay).¹⁵
- 1.7 Integration of border zones in the basin is also affected by the difficulty in devising projects eligible for financing that provide integrated multisector responses to needs. The projects that are required generally have crossborder implications and are small in scale given the size, dispersal, diversity, and isolation of the local populations and their productive units, which limits the projects that can be included in the countries' financing program. Projects of this kind typically have high transaction costs and pose difficulties for multinational coordination.¹⁶
- 1.8 **Conceptual overview.** Consequently, the basin countries need financing mechanisms enabling them to make public investments to improve the “software” (legal and regulatory frameworks, institutions) and “hardware” (infrastructure, connectivity, and basic services) of integration. To help solve these problems, a global credit program is proposed for Fondo Financiero para el Desarrollo de la Cuenca del Plata [River Plate Basin Development Fund] (FONPLATA), to meet existing and potential demand for border integration projects. FONPLATA's specific mandate is to promote regional integration among the River Plate basin countries.¹⁷ The loan will finance multisector investments focusing on multinational integration in border zones, to capture the benefits of the subregional market and foster economic, social, and cultural opportunities with high impact and local value.
- 1.9 In view of the magnitude of investment demands and needs and because they are very widely scattered in the basin, we proposed to limit the interventions geographically to an area with common cultural and social attributes that unite the countries. This will enhance the synergy and impact of the multisector investments

¹² Latin American and Caribbean Economic System (SELA). 2012. “La Integración Fronteriza en el Marco del Proceso de Convergencia de América Latina” [Border Integration in the Context of Convergence in Latin America and the Caribbean]. See: <http://goo.gl/FoHBU8>.

¹³ Robertico Croes, Manuel Rivera. 2015. Poverty Alleviation through Tourism Development: A Comprehensive and Integrated Approach, Apple Academic Press,

¹⁴ See: <http://goo.gl/1LJZCs>.

¹⁵ Op. cit., SELA.

¹⁶ Instituto Español de Estudios Estratégicos. 2016. Las Fronteras “Porosas” de Sudamérica: ¿Líneas Divisorias o Áreas de Cooperación? [The Porous Borders of South America. Dividing Lines or Areas for Cooperation?] See: <http://goo.gl/9b2EsT>.

¹⁷ FONPLATA annual reports: <http://goo.gl/QwtXty>.

and generate greater value-added. The Jesuit missions circuit with its different routes has been identified as an integration corridor and geographic hub for the proposed operation's interventions. The five countries are united by the Jesuit missions routes, which have been declared a UNESCO world heritage site. This geographic and thematic context makes it possible to establish an integration corridor where eligible investments in regional infrastructure ("hardware") and "software" would have greater economic and social impact. Specifically, development conditions would be created, associated with tourism potential that is unique in the world and would benefit all the countries, acting as a trigger and spur for the development of goods and services in different value chains in the targeted areas. Empirical evidence has identified a positive, two-way relationship between tourism and trade, which means that an impetus for integration can amplify the positive impact of each activity on economic development in the basin.¹⁸ The proposed loan also complements different regional integration activities supported by the Bank in the Southern Cone.¹⁹

- 1.10 This operation is designed as a pilot project for small-scale interventions to benefit the five countries. If successful, it could be replicated along different integration corridors associated with economic, social, and cultural themes that unite the countries in their border zones. The strategy will also permit financing to be leveraged for potentially eligible projects already in [FONPLATA's pipeline](#) (approved or in the approval process but not executed) and others that could be financed under the eligibility criteria (see paragraphs 1.24 and 3.4). The idea is to foster integration of the area through small, high-impact "hardware" and "software" projects that complement medium and large Bank-financed projects, making room in future for additional or larger Bank investments. The program will also finance micro, small, and medium-sized enterprises (MSMEs), so that they can join the integration and tourism value chains of the Jesuit missions circuits.
- 1.11 This project is innovative because it extends the reach of the traditional second-tier lending offered by a subregional multilateral institution to national and subnational agencies with multisector integration projects coordinated around a high-value, regional theme for the common good: consolidation of the Jesuit missions circuits as an integration zone and international tourism brand. Given the multisector nature of demand, the project will include development of transportation and connectivity infrastructure, support for MSMEs, development of border crossings, and tourism development, all intended to showcase the Jesuit routes and generate economic benefits, value chains, and a larger flow of goods and services in this geographic area.
- 1.12 **Relations with FONPLATA.** FONPLATA is an international institution governed by its own Charter²⁰ and Regulations, established in 1974 by Argentina, Bolivia, Brazil, Paraguay, and Uruguay. Under its institutional strategic plan, its mission is to:

¹⁸ Santana-Gallego, M., Ledesma-Rodríguez, F. Pérez-Rodríguez J. 2011. Tourism and Trade in OECD Countries. A Dynamic Heterogeneous Panel Data Analysis. Empirical Economics, Springer.

¹⁹ The initiatives include [ATN/OC-16104-RG](#) (Capacity building program in integration and trade, phase V) and [ATN/PT-16000-RG](#) (ConnectAmericas data visualization).

²⁰ FONPLATA: Convenio Constitutivo [Charter], Santa Cruz de la Sierra, 2016. Administred by FONPLATA, the Charter was signed on 12 June 1974 at the Sixth Meeting of Foreign Ministers of the Countries of the River Plate Basin.

“support integration of the member countries to achieve harmonious and inclusive development within and between the geographic areas of influence of the River Plate Basin, helping to reduce socioeconomic disparities and promoting the complementarity and synergy of the efforts of national development institutions and those of other development agencies, through medium- and small-scale projects in designated geographic areas, to foster the closer integration of one or more countries into the subregional, regional, and global markets.”²¹

- 1.13 The Bank’s support for the River Plate basin countries through FONPLATA is based on the key criteria set in the policy on the IDB’s Relations with Subregional Financial Institutions (document GN-1922-3),²² satisfied as follows: (i) consistency²³ — the Bank’s compatibility analysis concluded that FONPLATA’s policies and strategy are consistent with the those of the Bank, as can be inferred from FONPLATA’s Charter and purpose “to finance, under the terms of Article I of the Treaty of the River Plate Basin, studies, projects, programs, and works, intended to promote the harmonious development and physical integration of the River Plate Basin.”²⁴ Such consistency is confirmed in the Institutional Capacity Assessment System (ICAS) report on the executing agency of program RG-L1115, which notes that FONPLATA’s fiduciary, financial administration, human resource, and other policies are similar to the Bank’s policies. Additionally, as indicated in the environmental and social management report (ESMR), FONPLATA’s environmental and social risk management system (SARAS) was built on foundations similar to those of the respective Bank policies; (ii) complementarity — FONPLATA has the capacity to promote small preinvestment and investment projects that the Bank would not become involved with on account of their size, geographic location, or niche. FONPLATA thus adds value to the subregion, using Bank resources to pursue its institutional mission to: “support integration of the member countries to achieve harmonious and inclusive development within and between the geographic areas of influence of the River Plate Basin, helping to reduce socioeconomic disparities and promoting the complementarity and synergy of the efforts of national development institutions and those of other development agencies, through medium- and small-scale projects in designated geographic areas, to foster the closer integration of one or more countries into the subregional, regional, and global markets;”²⁵ and (iii) additionality — the Bank adds value to FONPLATA by enabling it to finance

²¹ FONPLATA: Institutional Strategic Plan, Santacruz de la Sierra, Bolivia, 2013.

²² Inter-American Development Bank (IDB): Operational Policy OP-601, Relationship with Subregional Financial Institutions, Washington, D.C., 1996.

²³ For consistency with IDB macroeconomic safeguard policies (specifically, Recommendation 2 of document AB-2990, “Enhancing Macroeconomic Safeguards at the Inter-American Development Bank,” and section IV of document GN-2753-7, “Operational Guidelines for the Implementation of the Macroeconomic Safeguards in the Inter-American Development Bank”), the FONPLATA member countries with the exception of Bolivia must have an independent macroeconomic assessment in place at the time of approval of the relevant individual subloan by the FONPLATA executive board. In the absence of such assessment, the relevant subloan will be subject the same disbursement speed restrictions as established by the IDB for its individual investment loan operations, as applicable. The program Operating Regulations will describe the mechanisms for FONPLATA to perform such assessments, as well as how the disbursement restrictions are to be applied and governed, all of which must be aligned and consistent with the applicable Bank policies.

²⁴ FONPLATA, Charter, Op. cit.

²⁵ FONPLATA: Misión y Visión [Mission and Vision] (<https://goo.gl/5YLjWE>), consulted on 17 July 2017.

and execute integration projects within its defined geographic area, in pursuit of its mission. Lastly, the Bank's technical and financial support for FONPLATA will have a multiplier effect in the subregion given the types of projects covered, justifying the additionality of the resources. The Bank's support for FONPLATA will abide by the operating mechanisms established in the cited document, such as risk analysis and monitoring.

- 1.14 **Dimensioning of the loan.** The operation will be disbursed on a *pari passu* basis with each of the subprojects. The program will serve as a pilot project for future Bank interventions through FONPLATA. A country-by-country survey of needs was conducted as part of the design, and eligible projects have been identified that will contribute to the development of the Jesuit missions circuit and other eligible sectors, in addition to potentially eligible projects in FONPLATA's pipeline. The estimated number of projects included in the study well exceeds the program amount. However, the program will make it possible to leverage FONPLATA resources. These and other potentially eligible projects will be subject to the prioritization and consultation letter processes required by the countries. The IDB and FONPLATA teams will work together to establish a dialogue with the countries to prioritize eligible projects. FONPLATA has experience with development projects such as those included in the program, and [13 operations for more than US\\$315 million](#) were conducted in 2016 alone.
- 1.15 **Additionality of the loan.**²⁶ The investments under the loan are expected to be supported under regional technical-cooperation operation RG-T3076, Support for the Program for Regional Integration of the River Plate Basin Countries, now in the eligibility stage. The general objective of this technical-cooperation operation is to support execution of the loan that will finance the proposed program, in order to strengthen local capacity and institutional and governance processes for regional border integration among the loan's five beneficiary countries (Argentina, Bolivia, Brazil, Paraguay, and Uruguay). The technical-cooperation operation's two specific objectives are to: (i) strengthen capacity and mechanisms for coordination among the institutional stakeholders responsible for the different investment projects under the proposed operation, including FONPLATA and the participating regional and local governments; and (ii) support the design and implementation of regional integration initiatives with value-added in the areas of intervention, including the potential for leveraging private sector financing in the participating countries as a mark of the potential success of the program. This second objective is centered on financing the design and implementation of regional integration initiatives with a high impact on the creation of value chain opportunities.
- 1.16 **Empirical evidence.** There is not much literature offering empirical evidence of the impact of investments for integration among countries in Latin America and the Caribbean, or the River Plate basin, in particular. Nevertheless, the Bank, jointly with the World Bank and the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), sought to estimate return on investment for

²⁶ FONPLATA will also be supported through intraregional technical cooperation operations (CT/INTRAs) in the areas of finance (Finance Department, FIN), risk management (Office of Risk Management, RMG), fiduciary management (Operations Financial Management and Procurement Services Office, FMP), and environmental safeguards (Connectivity, Markets and Finance Division, CMF, and the Environmental Safeguards Unit, ESG).

investments of this kind using the computable general equilibrium (CGE) model for the period 2010-2020.^{27 28} The model produced multiple results. First, on average, investments in “software” lead to a 20% increase in intraregional exports, while investments in “hardware” yield an increase of 27%. For the basin countries in particular, the greatest impacts come from reducing nontariff barriers and investing in infrastructure, although they vary from country to country. But the most interesting effect is the impact of investments in infrastructure on GDP, which yield returns of 70% or more. This outcome is greater in countries with bigger infrastructure gaps, such as Bolivia, where the returns exceed 100%, with a direct impact on reducing subregional disparities in the basin. The study’s conclusions on policy are no less important. First, interventions such as those proposed for the program are relevant for the dynamic triggering of cumulative gains, particularly in infrastructure. This takes place through three channels: (i) reduction in transport costs; (ii) increase in growth with a reduction in unemployment; and (iii) increase in consumption and productivity thanks to better location of the production factors. Second, there are evident synergies between “hardware” and “software” interventions, which lead to a 47% increase in exports in the model. Third, the redistribution effect of the interventions is relevant for the poorest population: transport costs are lowered, which is a prime factor in food prices, eliminating a regressive tax on the poor. Moreover, the growth in exports increases well-being, reduces unemployment, and expands fiscal revenue. These results point clearly to the impacts of the types of interventions proposed in this program on integration and the reduction of asymmetries between countries.

- 1.17 **Bank experience and lessons learned in the sector.** The Bank has built up experience in regional operations with a variety of public institutions, chiefly the CDB Global Loan Program for the IDA-eligible OECS Member Countries (loan [2798/BL-RG](#)) and the Sustainable Energy Facility for Eastern Caribbean (loan [3561/OC-RG](#)). The Caribbean Development Bank (CDB) is the borrower and executing agency of both operations. The first program’s objective was “to contribute to accelerate the economic and social development of the four IDA-eligible OECS member countries.” This was to be achieved via the financing of a global loan to the CDB, which would onlend the funds to finance public sector projects in the eligible countries that were consistent with the priority lending targets of the Report on the Ninth General Increase in the Resources of the Inter-American Development Bank. The initial cost of the program was US\$20 million to be disbursed over six years starting in 2013, and execution stands around 60%. The lesson to be drawn for the proposed program is that mechanisms for coordination among the countries should be improved, to ensure that the program’s objective can be met in a manner consistent with local policies. Accordingly, the executing agency will coordinate with the basin countries for project eligibility and execution.
- 1.18 The second program’s objective was to make the Eastern Caribbean countries less dependent on fossil fuels through conversion to energy efficiency and renewable

²⁷ IDB: “Investing in integration: The Returns from Software-Hardware Complementarities.” Policy Brief IDB-PB-161 (2011), Washington, D.C.

²⁸ The model includes a 10-year time frame in which three “software” and one “hardware” intervention will be evaluated. The first are: (i) tariff liberalization; (ii) a 2% reduction in transport costs; and (iii) a bilateral 30% reduction in nontariff barriers. The investment in “hardware” refers to an investment of 1.1% of GDP in the maintenance and development of transport infrastructure for integration.

energy technologies. The operation is still in execution, and no lessons learned have yet emerged. Programs relevant from the standpoint of integration are operations [ATN/OC-16104-RG](#), Capacity Building Program on Integration and Trade, Phase V, and [ATN/PT-16000-RG](#), ConnectAmericas Data Visualization. The first operation complements the proposed program in that its objective is to create a long-term critical mass of multisector experts in integration. The operation is awaiting the start of execution. Also relevant from the standpoint of integration, the second operation continues to implement ConnectAmericas as a tool for measuring the integration of the countries of the region and, hence, of the basin. Additionally, a program relevant from the standpoint of tourism corridors is the Tourism Corridor Development Program (loan [2606/OC-AR](#)), which includes projects such as the San Ignacio Pier, an infrastructure work that connects Argentina to Paraguay, increasing the importance of integration and promoting the Jesuit missions. The relevance of these works and the need for coordination with bilateral institutions for their execution are lessons learned from these projects. Lastly, in relation to the basin countries, the Bank is preparing a National Tourism Management Program of Bolivia (BO-L1182), which will complement the projects included in the proposed program. Notably, the technical-cooperation operation [ATN/OC-15891-BO](#) to support the preparation and initial implementation of the National Tourism Management Program, which has already been approved, will also facilitate the launch of this proposed program.

- 1.19 **Strategic alignment.** The program is consistent with the Update to the Institutional Strategy 2010-2020 (document AB-3008) and is strategically aligned with the development challenges of: (i) economic integration through improved regional infrastructure, insertion of firms into value chains, convergence of integration policies and instruments, and increased regional cooperation; and (ii) productivity and innovation by promoting productive financing for MSMEs in the basin. The program is also aligned with the crosscutting theme of institutional capacity and rule of law, in that the multisector interventions envisage possible “software” interventions for integration, for example in customs and related regulations, coupled with the “hardware” interventions already described (see paragraph 1.8). The program is also aligned with the Corporate Results Framework (CRF) (document GN-2727-6) at the level of the country development results indicators for “public agencies’ processing times of international trade of goods and services” and “number of micro/small/medium enterprises financed.” At the output level, it is aligned with “kilometers of roads built or upgraded” and “number of regional, subregional, and extraregional integration agreements and cooperation initiatives supported.” Lastly, the program is aligned with the Strategy to Support Competitive Global and Regional Integration (document GN-2565-4), particularly with the criteria for identifying integration activities (see paragraph 6.10 of the document).
- 1.20 This operation is aligned with the strategies of the different countries of the River Plate Basin, specifically with the objectives of: (i) upgrading transport infrastructure

for better logistics;²⁹ and (ii) support for the development, financing, and productivity of MSMEs.³⁰ The project will also offer crosscutting support through “software” interventions for strategic objectives related to institution-strengthening, particularly for border institutions.

- 1.21 **Consistency with sector frameworks.** The Integration and Trade Sector Framework Document (document GN-2715-6) emphasizes the need to improve transport infrastructure and related services such as customs, in order to lower logistics costs. In particular, it presents empirical evidence on how investments in infrastructure and customs facilitation have positive impacts on exports and countries. The document also shows how facilitating access to finance is crucial in a region where just 25% of bank products are targeted to MSMEs that export goods and services. Lastly, from the standpoint of tourism corridors as areas for economic development, the Bank’s experiences are reflected in the Tourism Sector Framework Document (document GN-2779-7), which explains how the development of regional public goods can become a driving force for close regional cooperation and integration. It shows how Culiuc (2014) applied a model to 191 countries over the period 1999-2005 and found that geographic proximity among countries that share borders increases tourist arrivals by up to 150%.³¹ The ex post evaluations of the European regional cooperation programs INTERREG II and III, conducted between 1994 and 2006, found that crossborder projects to develop and enhance joint tourism products were more effective in promoting integration than programs in other economic sectors (LRDP Ltd., 2003; Panteia and Partners, 2010).^{32 33} Lastly, the program is consistent with the Support to SMEs and Financial Access/Supervision Sector Framework Document (document GN-2768-3) in that international evidence shows that productivity is a key factor for economic growth, and that access to finance is essential for raising productivity levels. Along the same line, expansion of the supply of financing through FONPLATA will have an impact on the productivity of the MSMEs included in the different components.

²⁹ Upgrading transport infrastructure to facilitate logistics appears in the different Bank country strategies, in the form of the following strategic objectives: (i) upgraded infrastructure for investment and inclusion and higher levels and profiles of integration into export markets (document GN-2870-1, country strategy with Argentina); (ii) improvement in the provision of quality public goods and services (document GN-2843, country strategy with Bolivia); (iii) expansion and reform of transport and logistics infrastructure (document GN-2850, country strategy with Brazil); and (iv) upgraded transport infrastructure (document GN-2769, country strategy with Paraguay, and document GN-2836, country strategy with Uruguay).

³⁰ Support for the productive financing of MSMEs takes the form of the following strategic objectives included in the country strategy documents: (i) inclusive financial development and financing for MSMEs (document GN-2870-1, country strategy with Argentina); (ii) support for the development of small and medium-sized enterprises (document GN-2850, country strategy with Brazil); and (iii) promotion of entrepreneurial innovation (document GN-2836, country strategy with Uruguay).

³¹ Culiuc, Alexander. “Determinants of International Tourism,” International Monetary Fund, 2014.

³² LRDP Ltd. (2003). “Ex Post Evaluation of the INTERREG II Community Initiative (1994-1999).” Brief report, London, UK.

³³ Panteia and Partners (2010). “Ex Post Evaluation of INTERREG III 2000-2006.” Final report. Zoetermeer, Netherlands.

B. Objectives, components, and cost

- 1.22 **Objective.** The program objective is to contribute to reducing disparities in integration among the countries of the River Plate Basin, focusing on priority border zones, through the implementation of FONPLATA-financed projects.
- 1.23 **Sole component: Financing facility for investments in integration.** The program is designed around a sole component for the financing of investments in regional integration of the FONPLATA borrowing member countries. The funds will be awarded to: (i) member countries or any of their subnational or decentralized political divisions, and government agencies; and (ii) public corporations or semipublic institutions of the members countries.³⁴ The program will be anchored in the geographic context of the Jesuit missions circuit and its different routes ([see maps in optional electronic link 4](#)), contributing to regional integration by promoting the creation of a high-value-added tourism brand that benefits all countries of the subregion.
- 1.24 **Eligibility criteria.** To be eligible, projects must contribute to the regional integration objectives of the River Plate Basin countries, generating integration benefits between two or more of them. Eligible projects must be located in the geographic area determined by: (i) the Jesuit missions tourist sites; (ii) tourist distribution or accommodation centers; and (iii) the travel corridors. The eligible projects will contribute to the integration of countries in the geographic area, facilitating the circulation of goods, services, people, and investments among them. They may include: (i) connectivity infrastructure projects; (ii) projects for infrastructure, border zone economic development, and development of the tourism and cultural offerings; (iii) border crossing projects; (iv) urban development projects; (v) institutional development and information projects; and (vi) environmental sustainability projects (environmental category “A” projects will be ineligible). Priority will be given to projects designed to capture private investment that include actions and objectives for private sector promotion and engagement complementary to those of the Bank. An IDB-FONPLATA strategic coordination committee will be established (see paragraph 3.2) to determine the eligibility of projects or project components for financing under this operation and provide technical inputs to facilitate performance and find synergies with other programs and sources of financing. The details and scope of the eligibility criteria are established in the program [Operating Regulations \(OR\)](#).³⁵

C. Key results indicators

- 1.25 **Results.** The project’s objective is framed in terms of the impacts of the interventions on integration disparities in the border zones and geographic areas covered by the Jesuit missions circuit. The expected outcomes of the program are: (i) an increase in the volume of trade in goods and services as a percentage of GDP; (ii) an improvement in the estimated lead times for exporting goods and services; (iii) a

³⁴ The institutions can include banks and other avenues for channeling funds to MSMEs.

³⁵ Use of the investments. Projects eligible for financing from the loan must comply with the above-mentioned eligibility criteria, which will be described in detail in the program [Operating Regulations](#). In principle, 80% of the investments will be used for infrastructure (“hardware”) and the remainder for “software.”

reduction in estimated export costs; (iv) an increase in sales by beneficiary MSMEs; and (v) an increase in tourist spending at the destinations.

- 1.26 **Economic analysis.** The project's [economic assessment](#) is based on an analysis of flows to calculate the difference between inflows and outflows attributable to the typical investment and lending projects supported by FONPLATA. A discount rate of 12% was used, yielding an aggregate net benefit (total aggregate net present value) of US\$70.24 million in the core analysis scenario. Total net present value is positive in all scenarios with wide variations in parameters according to the sensitivity tests described in the corresponding section and tables.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 **Source and use of funds.** The amount of the operation will be US\$130 million in the form of an investment loan of US\$100 million under the global credit program modality, and a local counterpart contribution of US\$30 million from the borrower, Fondo Financiero para el Desarrollo de la Cuenca del Plata [River Plate Basin Development Fund] (FONPLATA). The program will be financed from the Bank's Ordinary Capital resources in U.S. dollars. The disbursement period of the operation will be five years, which is consistent with the size and type of demand identified. The countries will request subprojects under this program, and FONPLATA may commit the Bank loan proceeds within the four-year time frame, running from the effective date of the subloan contract between FONPLATA and the subborrower. Funds will be allocated in the order requests are received from the countries at the discretion of the Interagency Coordination Committee.

Table 1. Costs

Source	Amount (US\$)	Use	%
IDB (sole component)	100.0 million	Loan	76.92%
FONPLATA	29.5 million	Loan	22.69%
FONPLATA	0.5 million	Administration, monitoring, evaluation, and other costs	0.38%
TOTAL	130.0 million		100.00%

- 2.2 **Nature of program financing.** Through FONPLATA, the program will make subloans to the River Plate basin countries or to other institutions or political subdivisions of those countries. The nature and details of the eligibility criteria for the subloans for eligible projects and the terms for the transfer of resources to them are described in the program [Operating Regulations](#).

B. Environmental and social safeguard risks

- 2.3 **Environmental risks.** This is a financial intermediation operation governed principally by directive B.13 of the Environment and Safeguards Compliance Policy (Operational Policy OP-703, document GN-2208-20), so no classification is required. The specific environmental and social requirements for the subloans and those applicable to national and subnational institutions are included in the program

Operating Regulations and described in the environmental and social management report (ESMR).

- 2.4 FONPLATA's environmental and social risk management system (SARAS) began operating in March 2017. It is currently in the implementation stage and will be the mechanism used by FONPLATA as executing agency to monitor the environmental and social safeguards. FONPLATA will deliver six-monthly reports to the Bank on the social and environmental aspects of operations conducted with the program resources. Compliance with the Bank's environmental and social safeguards was reviewed as part of the operation design, and it was agreed that FONPLATA will employ its SARAS system, making the necessary adjustments for compatibility with the IDB's environmental and social policies. It was agreed that the project will not finance category "A" projects.

C. Fiduciary risks

- 2.5 The institutional capacity assessment performed during the design stage determined that FONPLATA's development is sufficient to execute the program, establishing a low level of fiduciary risk. However, fiduciary factors were identified at FONPLATA that should be supplemented or strengthened for effective fiduciary supervision and management of the program, such as information technology systems which, although considered satisfactory, could be improved, particularly integration of the SIAFO financial administration system and Peachtree systems through an information tool to capture information from the country systems used by the borrowers. Implementation of FONPLATA's institutional strategic plan views the fiduciary management of operations as one of the most important aspects of the strategy, and work is being done to improve it. The possibility of a CT/INTRA with the Bank would allow for the harmonization of the entities' fiduciary standards in areas such as project cycle management, risk monitoring, and supervision of operations.

D. Other project risks

- 2.6 **Financial risk.** This risk would not affect achievement of the program objectives or FONPLATA's ability to make the disbursements associated with the operations under the program. FONPLATA maintains a sound financial position and is backed jointly and severally by its member countries (see paragraph 3.5 on FONPLATA's financial condition).
- 2.7 **Sustainability.** This risk is regarded as medium. As mentioned earlier, this operation is the first of a subregional, multinational, and multisector nature. There is a risk that the projects may not be sustainable in the long run by the national and/or subnational governments or that funds may not be available to maintain them. The eligible projects will be priorities for the governments, and their local sustainability will be sought in all cases. The program's approach will be small-scale projects with high impact. The complementarity with other Bank operations mitigates the risk. Some of the projects are, in fact, expected to create sustainability in infrastructure and "software" for integration. The Interagency Coordination Committee will work with the stakeholders with a view to project sustainability.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Executing agency.** The executing agency will be Fondo Financiero para el Desarrollo de la Cuenca del Plata [River Plate Basin Development Fund] (FONPLATA), acting through a Strategic Partnerships Coordination Unit (UCAE), staffed, in principle, by a core team consisting of a general coordinator drawn from among its employees and a financial/accounting specialist. The execution mechanism and governance structure of the program will be established in detail in the program Operating Regulations (OR), including coordination forums to assess project eligibility.
- 3.2 FONPLATA's UCAE will be responsible for program execution and act as counterpart to the Bank's project team. An IDB-FONPLATA strategic coordination committee will be formed with functions that include supporting eligibility processes and prioritizing the operations to be financed, sharing information on outcomes, proposing changes and adjustments to facilitate performance, and finding synergies with other programs and sources of finance. The committee will consist of one representative from FONPLATA and five from the Bank and will meet at least twice a year or whenever deemed necessary by any of the members. Given the multisector nature of the operation, the Bank's members of the committee are from the Environment, Rural Development, and Disaster Risk Management Division (RND); Transport Division (TSP); Integration and Trade Sector (INT); Connectivity, Markets, and Finance Division (CMF); and the Country Department Southern Cone (CSC). Details on the committee's operation and governance can be found in the program OR.
- 3.3 Program implementation will be supported by regional technical-cooperation program RG-T3076, Support for the Program for Regional Integration of the River Plate Basin Countries, whose objectives are to strengthen management and support for regional integration initiatives, putting special priority on the formulation and approval of eligible projects by the governments and FONPLATA, as well as the startup and monitoring of those operations (see paragraph 1.15).
- 3.4 **Implementation.** FONPLATA will be responsible for execution and supervision of the use of the subloan proceeds and for provision of the human and technological resources necessary to conduct the program as planned and on schedule. FONPLATA will receive the loan proceeds from the Bank and, as a multilateral bank, place them at the disposal of the national governments of the River Plate basin countries and their subnational or decentralized political subdivisions. The funds will be allocated in accordance with the eligibility criteria set out in detail in the program OR. Given the financial nature of the operation and the [preexisting demand](#) by the countries, the operation will not require design activities post approval.
- 3.5 **FONPLATA's financial condition.** According to FONPLATA's audited financial statements, at the close of 2015 it had total assets of US\$758 million, with a loan portfolio accounting for of 71% of that amount. Given FONPLATA's preferred creditor status and the privileges and immunities conferred by its member countries, the likelihood of portfolio default is low, so its credit risk is low. Its total net assets are US\$733 million, reflecting very low levels of liabilities and leveraging. FONPLATA is

rated A- and A-2 with stable outlook by S&P Global Ratings,³⁶ and A2 with stable outlook by Moody's Investor Service,³⁷ which is higher than the sovereign ratings of the River Plate basin countries themselves, based on the quality of its capital, liquidity, and member support. FONPLATA has ample financial capacity in relation to the obligations it will contract with the Bank.

- 3.6 **Guarantees.** In accordance with the policy on Guarantees Required from the Borrower (document GP-104-2), the Bank will not require the sovereign guarantee of the FONPLATA member countries for this operation, since FONPLATA has ample ability to pay and its Charter and Regulations establish the joint and several liability of the member countries for repayment of any financial obligations assumed by FONPLATA with the Bank.³⁸
- 3.7 **Retroactive financing.** The Bank may retroactively finance, against the loan proceeds, up to US\$20 million (20% of the proposed loan) in eligible expenditures incurred by the borrower, for disbursements on eligible projects, acting through the executing agency, prior to the loan approval date, provided that requirements substantially similar to those established in the loan contract have been met. Such expenditures must have been incurred on or after 15 June 2017 (approval date of the project profile), but in no case will expenditures be included if incurred more than 18 months prior to the loan approval date.
- 3.8 **Program Operating Regulations (OR).** The program requires OR that are consistent with the policies procedures of FONPLATA and the Bank and with the laws and financial practices of the River Plate basin countries. This includes the general features of the eligibility conditions for projects to be financed, credit risk requirements, etc. The OR establish conditions for projects proposed under the program that include but are not limited to the existence of a binational benefit, location in the Jesuit missions circuits, etc. The OR specify the arrangements to ensure onlending of the proceeds to the final beneficiaries on tenor and rate terms consistent with the project objective, as applicable. The OR also contain provisions on monitoring and management of the environmental and social aspects of the use of program resources. Lastly, the OR include the terms on which FONPLATA will deliver reports on use of the program resources, consistent with the stipulations of the [monitoring and evaluation plan](#).
- 3.9 **As special contractual conditions precedent to the first disbursement of the loan proceeds: (i) the Strategic Partnerships Coordination Unit (UCAE) has been established at FONPLATA, and the staff necessary for its operation have been appointed; and (ii) the program Operating Regulations (OR) are approved and in force, on the terms and conditions previously approved by the Bank.** The first condition is considered necessary for governance and to guarantee that the project is executed fully and efficiently. The second condition is

³⁶ S&P Global: Press communique: "FONPLATA 'A- and A-2' Ratings Affirmed. Outlook Remains Stable" (<https://goo.gl/d2m8qS>).

³⁷ Moody's Investor Service: "Rating Action: Moody's assigns first-time A2 issuer rating to FONPLATA; stable outlook" (<https://goo.gl/FJYTci>).

³⁸ Under the provisions of FONPLATA's Charter and Regulations, its board of directors will have to adopt a resolution to authorize: (i) contracting a debt with the Bank; and (ii) the joint and several liability of the member countries to back its obligations with the Bank. For each member country, joint and several liability will be limited to the amount it has subscribed with FONPLATA as irrevocable callable capital.

to ensure that the program is consistent with Bank policies and procedures and incorporates the main features of the interventions and compliance with the Bank's environmental and social policies set out in the ESMR.

B. Summary of arrangements for monitoring results

- 3.10 **Reports.** FONPLATA will be responsible for compiling and processing data for program monitoring and evaluation, with institutional support for that purpose from the Bank (see paragraph 1.15). The OR determine that reports will be delivered on a six-monthly basis and will describe progress on the results indicators and project compliance with the eligibility conditions, as a minimum. FONPLATA will be responsible for preparing the program's financial statements, which be audited annually by independent external auditors acceptable to the Bank. A count of projects may be included, particularly those with a gender component, for subsequent analysis.
- 3.11 **Evaluation.** FONPLATA will be responsible for compiling the relevant information required for project evaluation. The ex post evaluation described in the [monitoring and evaluation plan](#) employs an ex post cost-benefit method, and will be performed in 2024. Given the innovative features of the program, case study methodologies will be prepared to evaluate the program, which can serve as a guide for coordinating new operations, disseminating the lessons learned. In such case, the budget would be reorganized around the work of a consultant for approximately one month, including allocations for travel to conduct interviews, as necessary.

Evaluability Summary

Global Credit Program for the Regional Integration of the Countries of the Rio de la Plata River Basin, BID-FONPLATA, (RG-L1115)

- 1.1 The objective of this Evaluability Summary is to inform the Bank's Board of Directors about the evaluability of the Global Credit Program for the Regional Integration of the Countries of the Rio de la Plata River Basin (RG-L1115). Given the nature of this loan, the standard Development Effectiveness Matrix score does not apply. Instead, Management has assessed that the ex-ante evaluability, the ability to monitor during implementation, and the ex-post reporting capabilities of FONPLATA will be consistent with the Bank's standards.

- 1.2 With respect to this consistency, the analysis carried out by the Bank concluded that FONPLATA's policies and strategies are coherent with those of the Bank. FONPLATA's fiduciary policies, financial administration policies, and those pertaining to human resources among others are similar to those of the Bank¹. FONPLATA's mission is: "to support the integration of its member countries to achieve a harmonious and inclusive development, both within and between the geographic areas under the influence of the Rio de la Plata's River Basin. This will contribute to reducing socio-economic disparities and enhancing the complementarity and synergies of the efforts of national development institutions as well as those of other development agencies, through projects of medium and small dimension to be executed within the delimited geographic space; in order to favor one or more countries in achieving a better insertion in the sub-region, the region, and global markets². Similarly, FONPLATA's System for the Management of Socio-Environmental Risk (SARAS for its initials in Spanish) has been developed with criteria that are similar to the corresponding Bank policies³. The total amount of Bank resources assigned to the program is of \$100 million with a local counterpart of US\$30 million. The Bank and FONPLATA teams will work jointly to establish a dialogue with the countries in the prioritization of eligible projects.

- 1.3 At its most general level, the program's eligibility criteria establish that for a project to be eligible it must contribute to the integration of the geographic space designated by the program. Furthermore, a Committee for Strategic Coordination by the IDB and FONPLATA will be established to determine the eligibility of projects and their components for those projects to be financed with the resources of this program. This body will also serve to provide technical support in facilitating project design.

- 1.4 Additionally, the program will be supported and its consistency with Bank criteria will be enhanced through technical cooperation. The Regional Technical Cooperation RG-T3076, "Support to the Program for the Regional Integration of the Countries of the Rio de la Plata River Basin", is currently being considered for eligibility. Its general

¹ BID: "Evaluación de Capacidad Institucional (SECI) del Organismo Ejecutor del Programa RG-L1115" [*Institutional Capacity Evaluation (SECI) of the Program's Executing Agency*], 2017.

² FONPLATA: "Plan Estratégico Institucional" [*Institutional Strategic Plan*], (Santacruz de la Sierra, Bolivia, 2013).

³ BID: "Programa Global de Crédito para la Integración Regional de los Países de la Cuenca del Plata, RG-L1115, Informe de Gestión Ambiental y Social (IGAS)" [*Global Credit Program for the Regional Integration of the Countries of the Rio de la Plata's River Basin RG-L1115, Report on the Socio-Environmental Management Capacity (IGAS)*], 2017.

objective is to support and accompany the execution of the loans that the program will finance with priority given to aspects of the design and execution of works including mechanisms for the coordination of the different institutional stakeholders involved. Furthermore, FONPLATA will be supported in the harmonization with the Bank, through Intra Technical Cooperation (CT-Intra) in the areas of finance, risk, fiduciary management and environmental safeguards. The aim of this cooperation is to replicate the good practices of the Bank in FONPLATA thus enhancing the program's evaluability.

- 1.5 As the executing agency, FONPLATA will be responsible for conducting the monitoring of the program and for the preparation and delivery of the monitoring reports as is established in the Monitoring and Evaluation Plan and in the program's Results Matrix. An economic analysis has been conducted on the basis of indicative projects of those that will potentially comprise the program. The analysis concludes such projects are economically viable.

RESULTS MATRIX

Program objective:	The program objective is to contribute to reducing disparities in integration among the countries of the River Plate Basin, focusing on priority border zones, through the implementation of FONPLATA-financed projects.
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EXPECTED IMPACT

Indicator	Unit of measure	Base-line 2017	2018	2019	2020	End target	Means of verification	Comments
IMPACT 1: INTEGRATION DISPARITIES REDUCED AND COMPETITIVENESS INDICATORS IMPROVED								
Indicator 1: Logistics performance index (LPI) score Argentina	Score (between 1=low and 5= high)	2.96	2.96	2.98	3.10	3.10	LPI (World Bank)	The LPI is an index that combines quantitative and qualitative data based on global surveys of expert operators, and measures performance along the logistics supply chains in each country.
Indicator 2: LPI score Bolivia	Score (between 1=low and 5= high)	2.25	2.25	2.35	2.55	2.55	LPI (World Bank)	The LPI is an index that combines quantitative and qualitative data based on global surveys of expert operators, and measures performance along the logistics supply chains in each country.
Indicator 3: LPI score Brazil	Score (between 1=low and 5= high)	3.09	3.09	3.20	3.30	3.30	LPI (World Bank)	The LPI is an index that combines quantitative and qualitative data based on global surveys of expert operators, and measures performance along the logistics supply chains in each country.
Indicator 4: LPI score Paraguay	Score (between 1=low and 5= high)	2.56	2.56	2.75	2.90	2.90	LPI (World Bank)	The LPI is an index that combines quantitative and qualitative data based on global surveys of expert operators, and measures performance along the logistics supply chains in each country.
Indicator 5: LPI score Uruguay	Score (between 1=low and 5= high)	2.97	2.97	3.05	3.10	3.10	LPI (World Bank)	The LPI is an index that combines quantitative and qualitative data based on global surveys of expert operators, and measures performance along the logistics supply chains in each country.

EXPECTED OUTCOMES

Indicator	Unit of measure	Base-line 2017	2018	2019	2020	End target ¹	Means of verification	Comments ²
OUTCOME 1: TRADE INTEGRATION AND COMPETITIVENESS INDICATORS IMPROVED								
Indicator 1. Average value of exports and imports as a percentage of GDP. Argentina	%	26.1	26.9	27.8	28.5	28.6	National accounts of the River Plate basin countries	Measures the total value of imports and exports as a percentage of GDP.
Indicator 2. Average value of exports and imports as a percentage of GDP. Bolivia	%	56.6	62.1	65.5	70.0	70.0	National accounts of the River Plate basin countries	Measures the total value of imports and exports as a percentage of GDP.
Indicator 3. Average value of exports and imports as a percentage of GDP. Brazil	%	24.6	25.3	25.9	26.6	26.6	National accounts of the River Plate basin countries	Measures the total value of imports and exports as a percentage of GDP.
Indicator 4. Average value of exports and imports as a percentage of GDP. Paraguay	%	81.5	83.6	85.7	87.9	87.9	National accounts of the River Plate basin countries	Measures the total value of imports and exports as a percentage of GDP.
Indicator 5. Average value of exports and imports as a percentage of GDP. Uruguay	%	41.5	43.9	46.1	48.5	48.5	National accounts of the River Plate basin countries	Measures the total value of imports and exports as a percentage of GDP.
Indicator 6. Estimated national export lead time. Argentina	Hours	30	30	29	28	28	Doing Business (World Bank)	Measures average customs clearance times.
Indicator 7. Estimated national export lead time. Bolivia	Hours	192	192	180	170	170	Doing Business (World Bank)	Measures average customs clearance times.

Indicator	Unit of measure	Base-line 2017	2018	2019	2020	End target ¹	Means of verification	Comments ²
Indicator 8. Estimated national export lead time. Brazil	Hours	18	18	18	17	17	Doing Business (World Bank)	Measures average customs clearance times.
Indicator 9. Estimated national export lead time. Paraguay	Hours	48	48	46	42	42	Doing Business (World Bank)	Measures average customs clearance times.
Indicator 10. Estimated national export lead time. Uruguay	Hours	24	24	23	22	22	Doing Business (World Bank)	Measures average customs clearance times.
Indicator 11. Average cost per export container. Argentina	US\$/container	150	150	140	135	135	Doing Business (World Bank)	Measures average insurance costs and average informal payments for which receipts are not issued. Reported costs are excluded.
Indicator 12. Average cost per export container. Bolivia	US\$/container	65	65	62	60	60	Doing Business (World Bank)	Measures average insurance costs and average informal payments for which receipts are not issued. Reported costs are excluded.
Indicator 13. Average cost per export container. Brazil	US\$/container	959	959	850	775	775	Doing Business (World Bank)	Measures average insurance costs and average informal payments for which receipts are not issued. Reported costs are excluded.
Indicator 14. Average cost per export container. Paraguay	US\$/container	815	815	775	750	750	Doing Business (World Bank)	Measures average insurance costs and average informal payments for which receipts are not issued. Reported costs are excluded.
Indicator 15. Average cost per export container. Uruguay	US\$/container	1095	1095	950	900	900	Doing Business (World Bank)	Measures average insurance costs and average informal payments for which receipts are not issued. Reported costs are excluded.
OUTCOME 2: MSME PRODUCTIVITY INDICATORS IMPROVED								
Indicator 1. Percentage increase in average sales by beneficiary MSMEs.	%	0	5%	10%	15%	15%	FONPLATA/BICE reports	Measures the difference between average sales by beneficiary MSMEs before and after the investments.

OUTPUTS

Outputs	Unit of measure	Base-line 2017	2018	2019	2020	End target ¹	Means of verification	Comments ²
SOLE COMPONENT: FINANCING FACILITY FOR INVESTMENTS IN INTEGRATION (TOTAL COST = US\$100 MILLION)								
Output 1: Total investment (own and leveraged) in infrastructure for regional integration supported by the operation.	US\$ million	0	114.7	114.7	117.3	346.7	FONPLATA reports	Measures total investment in integration with IDB and leveraged resources with support from the operation. Includes joint investments for the beneficiary countries under the project (Argentina, Bolivia, Brazil, Paraguay, and Uruguay).
Annual cost:	US\$ million	0	34.4	34.4	35.2	104		Corresponds to the percentage of the operation earmarked for investments in infrastructure and includes the corresponding counterpart (US\$24 million).
Output 2: Investments in integration targeted to MSMEs supported by the operation.	US\$ million	0	28.7	28.7	29.3	86.7	FONPLATA reports	Measures total investment used for credit products for MSMEs supported by the operation.
Annual cost:	US\$ million	0	8.6	8.6	8.8	26		Corresponds to the percentage of the operation earmarked for productive loans to MSMEs and includes the corresponding counterpart (US\$6 million).

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country:	Argentina, Bolivia, Brazil, Paraguay, and Uruguay
Project number:	RG-L1115
Name:	Global Credit Program for Regional Integration of the River Plate Basin Countries
Executing agency:	Fondo Financiero para el Desarrollo de la Cuenca del Plata [River Plate Basin Development Fund] (FONPLATA), acting through its Strategic Partnerships Coordination Unit (UCAE)
Fiduciary team:	Marisol Pinto Bernal (FMP/CAR) and Teodoro Noel (FMP/CAR)

I. EXECUTIVE SUMMARY

- 1.1 FONPLATA is an international institution of indefinite duration, established in 1974 to meet the financing and technical support needs associated with promoting the economic development and integration of the River Plate Basin countries: Argentina, Bolivia, Brazil, Paraguay, and Uruguay (the “member countries,” “beneficiary countries,” or “borrowing countries”).
- 1.2 The Institutional Capacity Assessment System (ICAS) methodology was used to evaluate FONPLATA’s fiduciary capacity (procurement and financial), gearing the content of the questionnaires and interviews with FONPLATA key staff toward the project cycle associated with the evaluated systems. The conclusion was that the executing agency possesses adequate operating, technical, and human capacity to execute the project and, therefore, LOW fiduciary risk. Consolidation of FONPLATA’s new institutional management model as a result of an institutional reform process begun in 2010, the support of its member countries, and the soundness of its finances and assets as reflected in its financial statements earned it an investment grade credit rating in September 2016 (A- by Standard & Poor’s, and A2- by Moody’s).
- 1.3 Although FONPLATA’s institutional capacity to execute the program is sufficiently developed, there are opportunities to improve its systems, such as: (i) development of an information technology tool that captures information from national financial systems, to avoid having to process data manually (Excel spreadsheets) between the SIAFO and Peachtree systems; (ii) use of Internet sites like UNDB to publish procurement planning; and (iii) effective coordination between the Strategic Partnerships Coordination Unit (UCAE), which will manage the program, and the rest of FONPLATA’s organizational structure.

II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

- 2.1 In 2010, the Board of Governors launched an institutional reform to provide FONPLATA with a new institutional management model, which was consolidated with implementation of the institutional strategic plan and the authorization of two capital increases that became effective in 2014. FONPLATA's authorized capital is now US\$3.014 billion, consisting of US\$1.349 billion in paid-in capital, and US\$1.665 billion in callable capital.
- 2.2 FONPLATA currently has updated policies, manuals, regulations, and formats, including the Project Cycle General Guidelines for Approval of Operations.
- 2.3 The institutional capacity assessment of FONPLATA indicates that it is an organized institution with modern manuals that describe duties, segregate functions, and assign responsibilities.
- 2.4 FONPLATA will act as the institution that finances projects required by its member countries and will establish a UCAE headed by a coordinator to synchronize the different areas of FONPLATA involved in project execution.
- 2.5 On this understanding, it is recommended that the program Operating Regulations (OR) define the functions, roles of each FONPLATA area involved in executing the operation, coordination levels, and other complementary aspects.
- 2.6 The fiduciary systems used to support program execution will be the SIAFO financial administration system and the Peachtree accounting system.

III. FIDUCIARY RISK EVALUATION AND MITIGATION MEASURES

- 3.1 Despite its low fiduciary risk, some fiduciary factors were identified in FONPLATA that should be complemented or strengthened for effective management and fiduciary supervision of the program, such as information systems which, although considered satisfactory, could be improved, particularly integration of the SIAFO and Peachtree systems through an information tool designed to capture information from the country systems used by the borrowers. Sections V and VI of this document describe other aspects that should be included in the OR for the program's fiduciary management. Implementation of FONPLATA's institutional strategic plan views the fiduciary management of operations as one of the most important aspects of the strategy in the institutional efficiency pillar and work is being done to improve it. The possibility of a CT/INTRA with the Bank would allow for the harmonization of the entities' fiduciary standards in areas such as project cycle management, risk monitoring, and operations tracking.

IV. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE CONTRACTS

- 4.1 The following agreements and requirements should be included in the Special Provisions or Sole Annex of the loan contract, as pertinent, which can be updated or modified during program execution if necessary, upon documentation and authorization by the Bank:

- 4.2 **Procurement.** The policies applicable to FONPLATA's borrowers and beneficiaries for the procurement of goods and services and for contracting individual consultants and consulting firms will be applied, supplemented by the aspects described in section V of this document, which will be included in the OR for procurement management purposes.
- 4.3 Goods, suppliers of goods and nonconsulting services, consulting firms, and individual consultants from the IDB's member countries will be eligible for all operations under this program.
- 4.4 **Disbursement management.** FONPLATA will submit the financial planning for its respective projects in accordance with the guidelines agreed upon with the Bank.
- 4.5 **Exchange rate.** For accounting purposes, the exchange rate for payments in a currency different from the currency of the loan will be the rate on the day the payment becomes effective.
- 4.6 **Financial reports and other audited reports.** Within 120 days after the close of each of the executing agency's financial years in the disbursement period, FONPLATA's financial statements will be submitted to the Bank, audited by an independent firm of accountants acceptable to the Bank. The last of these reports will be submitted within 120 days after the date stipulated for the final disbursement of the loan.

V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

- 5.1 **Procurement execution.** Procurements for the projects financed by FONPLATA under this program will be carried out in accordance with the policies applicable to FONPLATA's borrowers and beneficiaries for the procurement of goods and services and the policies for the contracting of individual consultants and consulting firms selection of consulting services, supplemented by the OR, which will cover the following aspects:
 - a. **Guidelines for bidders.** As a guide for bidders, the OR will include information on contractual responsibilities, FONPLATA's role, information on bidding, the role of the bidder, confidentiality, steps to be taken by FONPLATA in the event of complaints or disagreements and reports of prohibited practices, and information meetings on bidding processes.
 - b. **Dispute settlement and arbitration.** The bidding documents to be used in program projects will include provisions whereby the parties can opt for amicable dispute settlement mechanisms and international or local arbitration, which do not necessarily have to be subject to the regular courts of law in the borrower countries.
 - c. **Publication of procurement notices.** For projects that include international competitive bidding, the borrower will prepare and submit to FONPLATA a draft version of a general procurement notice. FONPLATA will have the notice posted on the United Nations Development Business (UNDB Online) website. The notice should contain information on the borrower (or potential borrower), the amount and purpose of the loan, the source of financing, the size of procurements to be tendered internationally, and the name, telephone (or fax number), and address of the borrower's procurement office, including the

address of the Internet site where the specific procurement notices will be available.

- d. **Short list of consulting firms.** For all consulting service contracts, proposals will be requested from a short list of consulting firms. The borrower will be responsible for placing public calls for expressions of interest in the media and preparing the short list of consulting firms, giving priority to firms that have expressed interest and have the appropriate qualifications. The short lists should include six firms covering a broad geographic area and, in the case of contracts for over US\$200,000, no more than two of those firms may be from the same country and, preferably, one firm should be from a member country. FONPLATA may accept short lists with fewer firms under special circumstances, for example, when only a few qualified firms have expressed interest in a specific work or when the size of a contract does not justify greater competition.

Table 1. Thresholds (US\$000s)

Goods		
International competitive bidding	National competitive bidding	Price comparison
Starting at the amount determined in agreement with the IDB for the borrowing country as the threshold for ICB.	Starting at the amount determined in agreement with the IDB for the borrowing member country as the threshold for NCB, for contracts over US\$50,000.	Contracts up to US\$50,000.
Works		
International competitive bidding	National competitive bidding	Price comparison
Starting at the amount determined in agreement with the IDB for the borrowing country as the threshold for ICB.	Starting at the amount determined in agreement with the IDB for the borrowing member country as the threshold for NCB, for contracts over US\$1,000,000.	Contracts up to US\$1,000,000.
Consulting firms		
Contracts under US\$200,000		Contracts over US\$200,000
Publication of a notice in UNDB Short list of three firms A maximum of two firms may have the same nationality One firm should preferably be from a member country		Publication of a notice in the national media Short list of six firms All the firms on the short list may be from the borrowing country

Table 2. Procurement supervision plan

Activity	Supervision plan			
	Nature and scope	Frequency	Responsibility	
			FONPLATA	Third party
OPERATIONS	<p>Nature: Supervision by FONPLATA of procurement management by borrowers</p> <p>Scope: OR agreements, updates of the risk analysis, procurement monitoring, procurement inspection visits, ex post procurement supervision visits</p>	Annual	Technical and fiduciary team	With inputs from an external auditor
COMPLIANCE	Verification of compliance with the special program conditions	At the end of each project financed under the program	Technical and fiduciary team	

- 5.2 **Records and files.** FONPLATA will ensure that the physical files on procurement management for the program's projects are located in the offices of the borrowers and adequately safeguarded and maintained to ensure they will be complete and available for a minimum of three years after each project is completed. It will also ensure that the electronic files on procurement management for program projects are adequately safeguarded and maintained and kept available for an indefinite period.
- 5.3 **Retroactive financing.** The Bank may retroactively finance, against the loan proceeds, up to US\$20 million (20% of the proposed loan) in eligible expenditures incurred by the borrower, for disbursements on eligible projects, acting through the executing agency, prior to the loan approval date, provided that requirements substantially similar to those established in the loan contract have been met. Such expenditures must have been incurred on or after 15 June 2017 (approval date of the project profile), but in no case will expenditures be included if incurred more than 18 months prior to the loan approval date.

VI. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

A. Programming and budget

- 6.1 The executing agency will be responsible for formulating and programming its annual budget and will take all the necessary steps to consolidate it for approval. As needs arise to increase or reallocate items, the executing agency will request changes and arrange for their approval.
- 6.2 No difficulties are anticipated with budget management.

B. Cash and disbursement management

- 6.3 FONPLATA's Administration and Finance Department will administer the loan proceeds and disbursements through an independent bank account in U.S. dollars opened for the program.

- 6.4 The loan will be disbursed through advances of funds, whose frequency will depend on the financial programming (real liquidity requirements of the borrowers), to be updated each time a new disbursement is required and covering a period of no more than 180 days. The Bank may make a fresh disbursement when FONPLATA has justified the previous one with evidence that the funds have been transferred to its borrowers.

C. Accounting, information systems, and reports

- 6.5 FONPLATA will use SIAFO as its financial administration system, coordinated with the Peachtree accounting system. Cash-basis accounting will be used and International Financial Information Standards will be followed. The executing agency will establish specific accounts for accounting control of the program to ensure that transactions with program resources can be identified in terms of subloans made, recognition of the debt with the Bank, expenditures, and management of the cash provided by the Bank. The financial reports on the program prepared by FONPLATA will include the sums received and amounts spent (loans and expenditures). Accounting and reports will be in the currency of the operation.

D. Internal control and internal audit

- 6.6 Internal control is provided by FONPLATA's Internal Audit Area, which to assure its independence, will report operationally and administratively to the President and Chief Executive Officer or, at his request, to the Board of Directors' Audit Committee.
- 6.7 The internal auditor is responsible for performing audits and making recommendations in accordance with the rules approving FONPLATA's internal audit prerogatives (AUD-01) and international standards for the professional practice of internal auditing. The Fund's Internal Audit Area will continue its work and expects to include reviews of compliance with the OR in its annual work plan and to supervise the portfolio financed with Bank resources.

E. External control: External financial audits and project reports

- 6.8 FONPLATA will submit its annual financial statements audited by an independent firm of auditors acceptable to the Bank. The audited reports will be submitted within 120 days after the end of each fiscal year. In the event the firm that currently reviews FONPLATA's financial statements is deemed eligible by the Bank, it may be used to audit the program without the need for a competitive process, to reduce transaction costs.
- 6.9 The types of program audits will be established in the terms of reference agreed upon by FONPLATA and the Bank and based on international auditing standards, and will include a review of and compliance with the OR.
- 6.10 The audit costs will be covered by FONPLATA.

F. Project financial supervision¹

- 6.11 The initial financial supervision plan arises from the risk and fiduciary capacity evaluations conducted on the basis of onsite and desk reviews of the program and includes the scope of operational, financial, and accounting activities, compliance and legal considerations, frequency, and responsibilities.
- 6.12 In addition to the reports required for processing disbursements and the annual audits, a detailed financial plan will be required for the purpose of adequate monitoring of disbursement projections.

Table 3. Supervision plan

Activity	Supervision plan			
	Nature and scope	Frequency	Responsibility	
			FONPLATA	Third parties
OPERATIONS	Ex post review of disbursements	Annual		External auditor
	Financial audit	Annual		External auditor
	Review of disbursement requests and accompanying reports	Periodic	Fiduciary team	
	Inspection visit/analysis of internal controls and the control environment	Annual	Fiduciary team	
COMPLIANCE	Submission of financial statements	Annual	Fiduciary and technical team	External auditor
	Conditions precedent to the first disbursement	Once	Fiduciary and technical team	

G. Execution arrangement

- 6.13 Point 8 of the ICAS report on FONPLATA describes the proposed general execution arrangement.

¹ See the Operational Guidelines for the Financial Management of IDB-financed Projects (document OP-273-6) Annex I. Applicability of financial management principles and requirements. Requirement 4. Financial supervision.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/17

Regional. Loan ____/OC-RG to Fondo Financiero para el Desarrollo de la Cuenca del Plata (FONPLATA). Global Credit Program for Regional Integration of the River Plate Basin Countries

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 Fondo Financiero para el Desarrollo de la Cuenca del Plata (FONPLATA), as Borrower, for the purpose of granting it a financing to cooperate in the execution of the Global Credit Program for Regional Integration of the River Plate Basin Countries. Such financing will be for an amount of up to US\$100,000,000 from the Ordinary Capital resources of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ____ 2017)