

BARRIO IMPROVEMENT PROGRAM

(AR-0163)

EXECUTIVE SUMMARY

BORROWER: Argentine Republic

EXECUTING AGENCY: Secretaria de Desarrollo Social [Secretariat of Social Development] (SDS)

AMOUNT AND SOURCE: IDB: US\$102 million (OC)
Local contribution: US\$ 68 million
Total: US\$170 million

FINANCIAL TERMS AND CONDITIONS: Amortization period: 25 years
Commitment period: 4 years
Disbursement period: 5 years
Interest rate: variable
Inspection and supervision: 1%
Credit fee: 0.75%

OBJECTIVES: The general objective of the program is to contribute to improving the quality of life of the population with unsatisfied basic needs who are living in seriously substandard housing. In addition to cooperating with the provinces and municipalities in the financing of the investments, the program will promote the organization and management capacity of the beneficiary communities for devising solutions that will remedy the inadequacies of their housing.

To achieve this objective, the program will support: (i) the financing of comprehensive projects for upgrading substandard barrios and regularizing land tenure in localities with over 20,000 inhabitants, excluding the Federal Capital and the 19 districts of Greater Buenos Aires; (ii) stimulation of social organization and selfsustainable community development, which will ensure active participation of these communities in the identification, prioritization, design, execution, operation and maintenance of the investments financed under the program; and (iii) incentives for investments by the provinces and municipalities in these types of measures.

DESCRIPTION: The program would comprise the following components for projects and social strengthening:

1. **Investment component** (US\$156.5 million), characterized by the emphasis placed in the management and social participation model on identification and implementation of comprehensive barrio upgrading projects. The component consists of the following subcomponents:
 - a. **Physical investments** (US\$136.5 million) in comprehensive barrio upgrading projects that will provide resources for land-tenure regularization, construction of urban infrastructure including in-house connections and other services and infrastructure for substandard settlements. In addition, where needed the program will finance construction of lots provided with complete infrastructure facilities and core housing, for families that have to be resettled. Such resettlement will be carried out in cases where the families concerned are living in areas at risk; where there is more than one family in the existing dwellings; and where space has to be made in order to provide the barrio with the basic urban infrastructure.
 - b. **Social support measures** (US\$20 million), which include the following three mutually complementary types of measures to be carried through by NGOs and/or consulting firms:
 - (i) **social strengthening**, which comprises activities to strengthen the targeted communities in order to improve their organization and ability to collectively address the problems affecting them and in particular those connected with housing;
 - (ii) **community training and organization**, which will be intended mainly for the present barrio leaders, although it may also be extended, as needed, to a wider group of residents. The training will be provided based on the special needs of each barrio and in the form of basic modules that will include, among other activities: training for leaders and residents in how to consolidate their organizations; workshops on agreements for project initiation and termination and for the participatory evaluation of its results; and the setting up and organization of a Community Social Fund (CSF); and

(iii) **technical assistance**, which will include provision of advice on technical questions that arise in the process of consolidating the organization and concerning which the community leaders lack sufficient experience. While the technical assistance will be characterized by its specialized nature (involving lawyers, accountants, sanitary engineers, environmental specialists, etc.), it will complement the training described in the foregoing and appropriate technical expertise should be transferred to the community.

2. **Institutional development component** (US\$12.5 million), which will finance: (i) the publicizing and promotion of the program; (ii) the training of the Provincial Executing Units (PEUs) and of the technical staff of the municipalities with projects under way; (iii) the specific technical assistance for the PEUs in functions which, in the opinion of the National Coordinating Unit (NCU), they will have to perform because there are no local resources for the time being; (iv) program operation, including the additional consulting services needed by the NCU and PEUs for their operation; and (v) the contracting of the financial audit and management services required for the program.

**ENVIRONMENTAL
CLASSIFICATION:**

The Environment Committee, at its meeting of January 18, 1995, classified this as a Category III operation. The environmental summary was approved at the Committee meeting of December 5, 1995. The executing agency prepared and disclosed to the public the Environmental Report on the program, which contains the Environmental Management System and the environmental eligibility criteria. Both documents were sent to the PIC on January 8, 1996.

BENEFITS:

The proposed program will supplement the social measures taken by the Government of Argentina for housing, which to date have focused mainly on financing new housing through investments by the Provincial Housing Institutes using National Housing Fund (FONAVI) resources and on the operations financed by the Banco Hipotecario Nacional [National Mortgage Bank].

The program would benefit approximately 12% of the 260,000 families that are estimated to live in substandard barrios in cities of over 20,000

inhabitants. Once the executing agencies gain experience in the identification, design, contracting, execution, and monitoring of projects of this type it will be easy to expand the scope of the program by channeling more resources into it. Once the projects are initiated, the provinces are expected to channel additional resources into this sort of investment in order to meet the demand that will develop as a result of the demonstration effect of the projects financed under the program.

The proposed investments will address the problems of families living in substandard barrios comprehensively by regularizing land tenure and installing infrastructure for both drinking water supply and sanitary disposal of wastewater, drainage, and environmental protection, thereby creating or increasing the property assets of the families targeted. The program will also help improved land use in the settlements, which will remedy the overcrowding affecting some barrios. It will provide resources for resettling families who can no longer be accommodated in the original barrios in subdivisions with complete infrastructure services and core housing, which will mean that these households will have better living conditions than they had in their previous dwellings.

This comprehensive approach and the emphasis on community social organization to ensure the project sustainability account for the social nature of the program: it is not a housing program with a strong social component but a social program to strengthen the community's organizational capacity around grassroots measures to improve the barrio. This social purpose will mean a radical change in program implementation, since the community will not simply be informed and consulted (on a smaller scale) in order to obtain its consent to the proposed measures, but will become the leading actor in the process.

RISKS:

The fact that execution of the program will be conducted on a decentralized basis through the Provincial Housing Institutes, which lack experience in identifying, designing and executing projects of this type could lead to inconsistent application of the eligibility criteria agreed upon, to the detriment of efficient resource allocation. This problem could become serious regarding the legal and environmental eligibility criteria, which are decisive in determining project feasibility and cost. To mitigate this risk it has been agreed that the Central Executing Unit, which acquired experience during preparation of

the sample of projects, will supervise project identification and design very closely. This supervision will be relaxed as the PEUs demonstrate the ability to properly apply the eligibility criteria laid down in the Operating Regulations.

There is also a risk that the facilities and infrastructure financed under the program may not be operated and maintained in accordance with acceptable standards and practices. To mitigate this risk, the PEUs will sign agreements to transfer the works to the operating agencies which will specify the latter's commitment to maintain them in accordance with acceptable standards. Community responsibility for maintenance will be ensured by setting up community organizations (or developing existing ones) with the necessary capacity. The PEUs will be responsible for monitoring the maintenance of the works and reporting regularly on same to the Bank.

POVERTY-TARGETING: Pursuant to paragraph 2.15 of the Eighth Replenishment document (AB-1704), the proposed program qualifies as a poverty-targeted program, since at least 75% of the beneficiaries must have unmet basic needs (see Chapter V of analysis).

With respect to paragraph 2.13 of said document, the program can be classified as a social program since it is an urban development project designed to improve the living conditions of the most needy population groups.

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

The proposed program is consistent with the Bank's strategy for Argentina because it focuses on the following three basic objectives: first, to reduce poverty and improve the quality of life through measures designed to provide sources of productive employment, and to increase the quality and coverage of programs for health, education, housing, nutrition, water supply, and sanitation; second, to boost the productivity and competitiveness of the trading sectors, by using an approach based on regional development and environmental protection, providing supporting infrastructure, and channeling supplementary private investments; and third, to continue the modernization of the State, understood to mean the stages subsequent to the streamlining and administrative reorganization implemented at central level, by extending it to the legislative and judicial branches, and at the provincial and municipal levels as well.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

Conditions precedent to the first disbursement

1. entry into force of the Operating Regulations (paragraph 3.7);
2. signature of at least one contract for transfer of funds (paragraph 3.2);
3. establishment of the Program Executing Unit (paragraph 4.6).

Other contractual clauses

Training: Six months after the signature of the loan contract, the borrower shall start the training to be provided under the institutional strengthening component (paragraph 4.8).

Program monitoring: Throughout the program execution period and for two additional years thereafter, the borrower shall submit annual reports to the Bank on the results of program implementation (paragraph 3.22).

Auditing: The financial statements of the program, duly audited by independent outside auditors, shall be submitted annually. The auditors' report shall include an opinion on compliance with the program Operating Regulations (paragraphs 3.34 and 3.35).

**PROCUREMENT OF
GOODS AND
SERVICES:**

The thresholds above which international competitive bidding will be required for procurement under the program will be US\$350,000 for goods and US\$5 million for works.

**EXCEPTIONS TO
BANK POLICIES:**

Given the large volume of consulting services required for the program, the fact that the provinces are scattered geographically, and the decentralized manner in which the program is to be implemented, it is recommended that prior consultation with the Bank only be required in cases of contracts in amounts above US\$50,000 for individual consultants and US\$100,000 for consulting firms. The terms of reference will have to be approved in advance by the Bank in both cases (paragraph 3.27).

**APPROVAL
PROCEDURE:**

Pursuant to Part III, Section 2(a), of the Regulations of the Board of Executive Directors, this operation must be submitted to the Committee of the Whole for consideration.

I. FRAME OF REFERENCE

A. Recent economic developments

- 1.1 As a result of the economic policies set by the government since 1989, Argentina experienced a cycle of strong economic growth. However, as of the second half of 1994 a slowdown in this growth occurred, leading to a decline in gross domestic product (GDP).
- 1.2 In 1995, the position of the public finances weakened owing to the drop in tax revenues due to the economic recession. During the first nine months of 1995, tax revenues (including social security contributions) were 6% below the figure for the same period in the previous year. Meanwhile, as a result of the greater rigidity in current expenditures, total expenditures in this category exceeded those of the same period in 1994. The government has taken a number of steps to increase collections and lower expenditures, but the results have not yet been sufficient to change the overall picture. In the context of the provinces, where the fiscal imbalance is more critical, the adjustment process is at the initial stage as a result of the agreements concluded under the Fiscal Covenant that restructured the intergovernmental revenue-sharing system.
- 1.3 The general macroeconomic situation is closely linked with the poverty rate. In 1980 about 16% of the population lived in poverty. Of this group, half (8%) were "structural" poor, i.e. persons who had remained in poverty for a long time and who had high levels of unmet basic needs. The other 8% were "new poor", in other words, persons whose incomes had dropped as a result of unfavorable economic circumstances. After a decade of low growth and high inflation, poverty had spread to over 30% of the population in 1990. Only in 1993, after several years of rapid growth and low inflation, did poverty rates fall back to the 1980 level. More recently, this improvement has been eroded somewhat as a result of the recession afflicting the country; Argentina's unemployment rate doubled in the past year, reaching a record 18.6% in mid-1995. This underscores the importance of economic growth and price stability in reducing the poverty rate of the "new poor" group and highlights this group's vulnerability to cyclical changes in the economy. However, it must be emphasized that the "structural" poor need different treatment in social policy, including, among other things, significant investments in infrastructure to consolidate the improvement of their living conditions. Of particular importance in this policy are investments designed to improve housing conditions for this segment of the population, which is the objective of the operation presented in this document.

B. The housing situation of low-income groups

1. Needs, demand for, and supply of housing

- 1.4 In 1991 the total population of the Argentine Republic numbered 32.6 million, with 88% living in urban areas. This population is distributed very unevenly throughout the country. The national capital and the 19 districts of Greater Buenos Aires were home to 47.6% of the total population at that time and another four provinces accounted for a further 30.1%. The remainder was distributed among the other 18 provinces that make up more than two thirds of the national territory.
- 1.5 According to population and housing census data, the housing situation has improved slightly in relative terms over recent years, because the proportion of households with inadequate housing declined from 35% in 1981 to 34% in 1991. This percentage includes those living in dwellings without access to any basic services or of deficient structural quality, or in crowded conditions. However, in absolute numbers the households affected increased from 2.5 million (11.2 million persons) to 2.9 million households (12.9 million persons). The housing situation is thought to have continued to improve in relative terms over the period 1991-1995, because estimates based on census data indicate that the proportion of households occupying substandard housing dropped to 32% while the absolute number of families living in substandard dwellings remained practically stable at around 3 million households.
- 1.6 As is to be expected, the situation of the households differs markedly depending on their socioeconomic level. As Table I-1 shows, practically no high or middle-high-income households occupy deficient housing, while the majority of low-income households live in dwellings with some sort of deficiency. This situation results from the difficulties that low-income families have in paying the cost of housing of an acceptable standard. The figures analyzed show that during the period 1981-1995, while the private home financing and construction mechanisms were able to meet a significant part of the demand from high and middle-income groups, neither these mechanisms nor the public system based on the National Housing Fund (FONAVI) and the National Mortgage Bank (BHN) were able to provide housing for all the new middle, middle-low, and low-income families, or to remedy the preexisting deficiencies in Argentina's housing situation.
- 1.7 The causes of this shortage include the partial and institutionally fragmented measures that could not address the housing problem in all its magnitude and which, together with subsidized interest rates and excessive regulation (construction standards, rent control, etc.), led to construction of housing that was beyond the means of the target population and ultimately benefited higher-income families.

Table I-1
Households by socioeconomic level and housing situation, 1995*

Socioeconomic level	Monthly family income in October 1994 US\$	Housing situation					
		Unsatisfactory		Satisfactory		Total	
		N*	%	N*	%	N*	%
Low	under 971	1,555,000	90.5	163,000	9.5	1,718,000	100
Middle-low	972 - 1,943	1,032,000	34.5	1,962,000	65.5	2,994,000	100
Middle	1,944 - 2,919	450,000	13.3	2,932,000	86.7	3,382,000	100
High and middle-high	2,920 or more	0	0	1,146,000	100.0	1,146,000	100
Total		3,037,000	32.9	6,203,000	67.1	9,240,000	100

* Estimates based on census data.

Source: Directorate of Housing Planning. Office of the Undersecretary for Housing.

- 1.8 The government estimates that in the next 10 years the economy will have to provide some 370,000 housings units per year, of which approximately 170,000 will have to be new dwellings to accommodate new families and replace those that become nonrecoverable. In addition, available estimates indicate that it will be necessary to rehabilitate almost 200,000 dwellings per year in order to keep the existing stock in acceptable condition. These estimates contrast with the housing sector's actual production over recent years, an average of 105,000 dwellings built per year (see Table I-2).

Table I-2
New housing production by source of funding 1991-1994

	1991	1992	1993	1994
FONAVI	32,310	36,919	29,908	32,000
Nat. Mort. Bank	7,111	8,353	6,316	1,722
Private sector	53,455	76,284	72,665	65,000
Total	92,876	121,556	108,889	98,722

Source: Office of the Undersecretary for Housing. Bases for a comprehensive housing policy. Buenos Aires, April 1995.

2. Responses to the imbalances, deterioration into slums and squatting

- 1.9 Being unable to gain access to homes produced by the formal sector because of lack of means and the absence of financing programs within their reach, low-income households find housing by informal

settling on land on city outskirts. ^{1/} The approaches employed in settling land of this sort include both organized and spontaneous squatting, and occupation of public lands and incomplete subdivisions. This approach to obtaining housing generates precarious settlements lacking many basic urban services, with little consolidation of the dwellings and adverse environmental conditions.

- 1.10 The form of housing tenure provides an indication of the proportion of households with informal housing. In 1991, 15% of households were in irregular tenure situations, with occupation on a loan basis predominating.

3. Housing conditions and unmet basic needs

- 1.11 The households living in unsatisfactory housing have to cope with, to varying degrees, shortcomings in the material quality of the dwellings, and in water supply and sanitary waste disposal. In addition, a portion of these households, the ones living on the outskirts of cities, are more exposed to natural disasters such as flooding and landslides. These problems are compounded by nutritional deficiencies and inadequate access to health and education services that together comprise the status of unmet basic needs (UBN) households. According to National Statistics and Census Institute figures, almost 20% of all Argentine families are UBN households.
- 1.12 Based on indicators of subsistence capacity, access to health, education, and sanitation services, and housing quality, developed using data from the 1991 Population and Housing Census, 1.2 million upon households were identified, with the geographical distribution shown in Table I-3. The high proportion of UBN households in the northwest, northeast, and Patagonia should be noted. More than half of Argentina's UBN population resides in the provinces in the Wet Pampas [Pampa Húmeda], which means that there are large pockets of poverty in predominantly nonpoor areas such as the Federal Capital, Buenos Aires, Santa Fe, Córdoba, and La Pampa.

^{1/} In 1988 the Office of the Undersecretary for Housing determined by means of surveys that in the Buenos Aires conurbation only 20% of housing had been built by the formal sector and 15% by the State. The remaining 65% had been put up by the informal sector. The vast majority (95%) of the families who built their own homes financed the construction with their own savings.

Table I-3
Geographical distribution of households
with unmet basic needs 1991
(in thousands)

Region	Total population	UBN population		Total UBN households	
		No.	%	No.	as % of total UBN
Wet Pampas	21,385	3,196	14.9	671	53.9
Patagonia	1,482	591	39.9	69	5.5
Cuyo	2,228	403	18.1	76	6.1
Northwest	3,678	885	24.1	213	17.1
Northeast	3,843	1,157	30.1	216	17.4
Total	32,616	6,232	19.1	1,245	100.0

Wet Pampas: Capital, Greater Buenos Aires, Buenos Aires, Santa Fe, Córdoba, La Pampa
 Patagonia: Neuquen, Rio Negro, Chubut, Santa Cruz, Tierra del Fuego
 Cuyo: Mendoza, San Luis, San Juan
 Northwest: Jujuy, Salta, Tucumán, Cajamarca, La Rioja, Santiago del Estero
 Northeast: Entre Ríos, Corrientes, Misiones, Formosa, Chaco
 Source: Office of the President of Argentina. Secretariat of Social Development.
 1995 Social Plan.

- 1.13 Since the UBN households affected by housing-related deficiencies are mostly concentrated in informal barrios (neighborhoods) and a large majority of them are located in localities with over 20,000 inhabitants, the Secretariat of Social Development conducted a survey in the 147 towns of this size in the country (excluding Greater Buenos Aires, which would not participate in the program because the federal government provides additional funds for the conurbation) to determine the extent of the problem in the substandard barrios in urban areas. On the basis of the responses from 40% of the centers, 670 barrios with deficiencies were identified, in which 140,000 households were living. Projecting these figures to the universe of localities considered, the Secretariat estimates there are some 260,000 households in substandard housing in the total population with unmet basic needs in localities with over 20,000 inhabitants in Argentina. This figure is consistent with the number of households that reported in the census that they only owned the dwelling in which they lived and not the land, which is one of the reliable indicators of acute housing shortages (370,000 households). 2/

2/ The figure in Table I-1 (1.5 million substandard dwellings) includes Greater Buenos Aires and towns with populations of less than 20,000.

C. Government programs

1. The Social Plan

- 1.14 The Argentine government is addressing the problems of the population's basic needs by means of an active social policy, implemented through a Social Plan execution of which is entrusted primarily to the provinces and municipalities. The Social Plan calls for measures in food and nutrition, support for children and families, education, productive employment, personal subsidies, support for the elderly, sanitation, and housing. The Plan's budget for 1995 is US\$2.514 billion and the government hopes to maintain a similar level of social spending in the years ahead.

2. Programs connected with housing

- 1.15 The Social Plan allocates over 37% of its funds (US\$944 million in 1995) to programs designed to meet basic housing-related needs. The programs under way include some aimed at resolving emergency situations such as the programs for flood victims and for upgrading dwellings in areas with a high incidence of Chagas' disease. Other programs service specific communities, such as the improvement program for indigenous communities, while others, such as the property plan, seek to resolve titling problems concerning public lands occupied by squatters. The chief social housing program is the National Housing Fund (FONAVI), which accounts for 94% of the resources. In 1995, FONAVI transferred almost US\$890 million to the provinces to meet housing needs.
- 1.16 FONAVI's resources, derived from the proceeds of a gasoline tax, are administered by the Provincial Housing Institutes (PHIs). The PHIs carry out various low-income housing programs and use the bulk of their resources for building low-cost dwellings of between 35 square meters and 80 square meters in area at costs that range between US\$14,000 and US\$40,000 depending on size, quality of finish, and location. These dwellings are transferred to qualified beneficiaries by means of a combination of loans and subsidies. The National Mortgage Bank [Banco Hipotecario Nacional] (BHN) has assisted the middle and middle-high-income groups in obtaining housing by means of mortgage loans.
- 1.17 The public support system for housing is currently being reformed to improve its efficiency and targeting. The reform was instituted under the comprehensive housing policy formulated by the government in 1994 along with the institution of the plan for deregulation and reactivation of construction and housing and the operational Federalization of FONAVI, all of which are consistent with the Bank's urban development policy. The reform converted the BHN into a second-tier bank that provides liquidity for the private housing financing system by guaranteeing mortgages issued by private banks. The BHN also guarantees mortgages issued by the PHIs, which will gradually stop building dwellings directly and concentrate instead

on administering FONAVI's resources, including direct demand subsidies, thereby ensuring proper targeting of the state subsidies. One accomplishment of these housing-sector reform measures is the elimination of distortions in the country's housing market, both on the supply side and on the demand financing side for different income strata, thereby presumably remedying the circumstances that have triggered squatting and the growth of unregulated settlements. Nevertheless, there is still a stock of housing situations that need to be regularized through barrio improvement programs.

3. Barrio improvement program

- 1.18 Because both the current low-cost housing support system and the reformed system are geared exclusively towards construction of new housing, they do not do anything to mitigate the problems of families in precarious settlements or without regular tenure of the land on which their dwellings are located (the existing "stock" of situations needing to be addressed). Accordingly, the government, acting through the Secretariat of Social Development, initially decided to add a sites-and-services program to the existing low-cost housing programs. Subsequently, as a result of the studies conducted by the secretariat as part of the preparations for the program and negotiations with the Bank, it was decided to change this program into a barrio improvement program specially designed to resolve the problems of households living in substandard settlements, since this approach maintains the existing social network and the location for which the people showed a preference by moving into it, and would also be a highly cost-effective solution because a larger number of beneficiaries can be served with the same resources. Under the program, resources will be transferred to the provinces for executing projects of this type with a view to inducing them to allocate, in the future, funds of their own so as to help remedy the problem expeditiously.
- 1.19 In light of the successful international experience with projects of this type - which underscores the importance of a sense of project ownership on the part of the beneficiaries and of their involvement as active executors - the Secretariat of Social Development has included promotion of community participation as a central component of the program. As a result of the social work carried out, the government expects the program to promote the exercise of citizen rights in the beneficiary communities: first, the regularization of property rights to sites and/or dwellings, which will strengthen the feeling of security by bringing the beneficiary population into the home owner category; and second, through the access provided to basic services neighborhood improvement, urban development, and also, in the case of compulsory relocation, access to a basic dwelling, significantly enhancing the barrio and allowing it to be incorporated into the social and urban fabric of the cities while also raising the value of local property.

D. Experience in the sector

- 1.20 The Bank partially financed the global urban development program (loans 206/OC-AR and 514/IC-AR) which funded municipal development investments, including infrastructure upgrading in residential areas. The Bank is also partially financing a municipal development program (loans 830/OC-AR and 932/SF-AR), the investment component of which envisages works that will have the effect of improving the quality of residential areas. The International Bank for Reconstruction and Development (IBRD) is funding a similar municipal development program (loan 3860-AR). All these loans are being executed satisfactorily. While the programs mentioned finance urban infrastructure investments, none of them specifically funds the upgrading of substandard barrios, which is the purpose of the proposed program, which would therefore supplement the other activities for municipal strengthening and urban investments supported by the IDB and the IBRD.
- 1.21 Although the IDB has not financed housing sector projects in Argentina, the Bank's previous experience both positive and negative with housing and sites-and-services projects and barrio improvement schemes executed in other countries was used in preparing the proposed program.

E. The Bank's country strategy

- 1.22 The Bank's strategy in Argentina concentrates on the following three basic objectives: first, to reduce poverty and improve the quality of life through measures designed to provide sources of productive employment, and to increase the quality and coverage of programs for health, education, housing, nutrition, water supply, and sanitation programs; second, to boost the productivity and competitiveness of the trading sectors, by using an approach based on regional development and environmental protection, providing supporting infrastructure and channeling supplementary private investments; and third, to continue the modernization of the State, understood to mean the stages subsequent to the streamlining and administrative reorganization carried out at the central level, and extending it to the legislative and judicial branches, and at the provincial and municipal levels as well.
- 1.23 The proposed program is consistent with this strategy, its objective being to help improve the quality of life of persons with unmet basic needs, whose housing is seriously substandard.
- 1.24 The program is also consistent with the Bank's urban development policy, inasmuch as it (i) supports a housing program in which the government has already defined a global strategy for the sector; (ii) finances specifically the provision of housing units for the low-income population within a general framework that motivates the private sector in this area; and (iii) assigns to the public sector

the complementary role of subsidizing the neediest population groups by means of transparent, direct, and budgetable subsidies that do not distort the financial and property markets.

II. THE PROGRAM

A. Objective

- 2.1 The general objective of the program is to help improve the quality of life of the population with unmet basic needs and serious housing problems. Besides cooperating with the provinces and municipalities in the financing of investments, the program will promote the organizational and management capacity of the beneficiary communities to address their housing deficiencies.
- 2.2 The specific objectives of the program are: (i) to finance comprehensive improvement projects for substandard barrios and to regularize land tenure in localities with over 20,000 inhabitants, excluding the Federal Capital and the 19 districts of Greater Buenos Aires; (ii) to stimulate social organization and self-sustainable community development, which will ensure the active participation of the communities in the identification, prioritization, design, execution, operation and maintenance of the investments financed under the program; and (iii) to provide incentives for the provinces and municipalities to invest in such measures.

B. Description

- 2.3 To accomplish the proposed objectives, the program calls for a participatory management process by which the funds will be channeled in a controlled manner to the target population. By means of this process, which is driven by the community demand, projects will be financed that include infrastructure works for improving the barrio and attendant social support measures. To encourage local and provincial initiatives in the financing of these projects, a matching fund type mechanism will be set up, whereby 70% of the program funds (from the federal government) will be transferred on a nonreimbursable basis to supplement the resources of the provinces and municipalities. The remaining 30% will be transferred to the provinces under the same conditions as the Bank loan, with a forgiveness clause for those provinces which adhere to the programs for reform of the social sectors and fiscal and financial cleanup initiated by the government. In addition, since this is a new program, institutional strengthening activities will be carried out at the different levels of government participating in the project cycle. The components of the program are described below.

1. Investment component

- 2.4 This component is characterized by the emphasis placed on identification and implementation of comprehensive barrio upgrading projects in the management and social participation model.

Accordingly, the program will finance the following investments and social measures.

a. Physical investments (US\$136.5 million)

- 2.5 The investments in the integrated barrio upgrading projects will provide funds for land tenure regularization, 3/ construction of service infrastructure including in-house connections, and other services and infrastructure for substandard settlements.
- 2.6 **Urban infrastructure:** These investments may include: (i) completion of the main distribution system and household connections for water supply; (ii) arrangements for sanitary disposal of wastewater, which may involve financing expansion of sewerage systems and in-house connections, or independent individual or community facilities depending on local circumstances; (iii) surface or underground storm drainage systems, depending on local circumstances; (iv) paving or compacting of roads for vehicular and pedestrian access to the barrios, assigning priority to roads for access to public transportation and service vehicles, according to paving standards determined by local needs; (v) street lighting; (vi) expansion of electric power grids and individual connections; (vii) expansion of the gas network and installation of in-house connections where gas is the least-cost solution for energy supply; and (viii) provision of a sanitary core unit for proper use of the urban infrastructure, which will include a bathroom space with sink, shower, and toilet, and a kitchen space with a kitchen sink and gas connection. The design of the sanitary core unit will have to be adapted to the circumstances of the settlements in order to blend in harmoniously with the existing buildings.
- 2.7 **Sites and services for resettled families.** In accordance with the Bank's resettlement policy, resettled families will receive housing of the same standard or better than what they had previously. Accordingly, and in addition to the serviced lot with the facilities listed under (i) through (vii) in the preceding paragraph, the projects will include a basic housing unit with a bathroom with sink, toilet, and shower and a multipurpose room with a kitchen space.
- 2.8 In the definition of the investments eligible for program financing it will be ensured that there will be organizations responsible for the service in the project locality and that these organizations are willing to assume responsibility for operation and maintenance of the infrastructure once the project is completed. In the case of barrio facilities, it will be ensured that there are

3/ Legal costs, survey work, etc., required for granting individual titles to the beneficiaries.

institutions capable of operating and maintaining the services once the project is completed.

- 2.9 In order to be able to serve a large number of barrios, the executing agency will, to the extent possible, use simple infrastructure standards. Under this approach, the program will finance the essentials, leaving future expansions and improvements up to local financing.

b. Social measures (US\$20 million)

- 2.10 With consulting support from NGOs and/or consulting firms, methods will be developed for a series of mutually complementary social services, namely: (i) social support services; (ii) community training and neighborhood organization; and (iii) technical assistance in specific areas.
- 2.11 **Social support services** (US\$13 million) include measures to strengthen the beneficiary communities in order to improve their organization and ability to collectively resolve their problems, in particular those connected with housing. Administration and resource management skills will be developed and resolution of any social and/or institutional conflicts that might be created by implementation of the program in the barrio will be facilitated.
- 2.12 Specific measures will be financed, based on the findings and recommendations of the social diagnostic studies conducted at the initial stage of project preparation in each case, at an estimated unit cost of US\$162,000 for each barrio. The following activities will be eligible for financing: (i) establishments and consolidation of grassroots organizations, which includes their creation where none exist, formal recognition of existing ones, improving their efficiency in the performance of their functions and duties, and facilitation of harmonization of the work of the different parties involved in the project; (ii) taking care of cases where as a result of the work undertaken in the barrio some people have to be rehoused within it and/or families have to be relocated; and (iii) stimulation of community mobilization processes and promotion of housing-related social attitudes and behaviors, including development of organization as an instrument for representing the interests of the families making up the barrio, coordination with and optimum utilization of external contributions from the State, the capacity to observe and constructively criticize the performance of the barrio leadership, proper use and care of the components of the sanitary infrastructure provided under the project, care for the environment as reflected in waste management and tending for animals and responsible community behavior.
- 2.13 **Community training and neighborhood organization** (US\$5 million) is intended chiefly for the present barrio leaders but, depending on

requirements, it may also be given to a broader group of residents. It will take into consideration the special needs of each barrio and will be provided in the form of basic modules that will include, among other elements: training for leaders and residents in consolidating their organizations; workshops on arrangements for project initiation and completion and for participatory evaluation of project results; and the establishment and organization of a community social fund (CSF).

2.14 The CSF's primary objective will be maintenance of the social facilities and of the infrastructure installed under the project that will be the community's responsibility. The fund will also be used for other community development works and services or other community purposes that are freely agreed on by the community members. It will be formed from monthly contributions paid by the families benefiting from a project but will also be able to draw on any other available sources. The amount of the monthly contribution will be set by the beneficiaries with the consent of the Provincial Executing Unit. ^{4/} The CSF will be administered by the barrio residents' organization and transparent accounting mechanisms will be set up for informing the members and the PEU about the collection and use of the funds.

2.15 **Technical assistance** (US\$2 million) will include advisory service on technical matters that arise during the organization's consolidation process and which the community leaders do not have sufficient experience to resolve. While the technical assistance will be characterized by its specialized nature (lawyers, accountants, sanitary engineers, environmental specialists, etc.), it will supplement the training provided under the program. In fact, appropriate expertise is expected to be transferred that will also enable the community to identify those questions it can resolve by itself and those for which it will need the input of a professional in the field.

2. Institutional development and administrative costs
(US\$12.5 million)

2.16 The institutional development component will finance: (i) the publicizing and promotion of the program; (ii) the training of the Provincial Executing Units (PEUs) and of the technical staff of municipalities with projects under way; (iii) technical assistance in specific areas needed by the PEUs for functions which, in the opinion of the National Coordinating Unit (NCU), they should provide but for which there are not for the time being any local resources available; (iv) program operation, including the additional consulting services required by the NCU and the PEUs for their functioning; (v) the financial auditing and management

^{4/} The CSF will not be funded using the proceeds of the IDB loan.

services for the program; and (vi) an annual external evaluation of the social component, to be performed by local universities and/or agencies with experience in the social and economic evaluation of community programs.

C. Sizing

- 2.17 The program was sized on the basis of: (i) the operating capacity of the institutional setup adopted for program execution (NCU and PEUs); (ii) the demand estimated according to the findings of the survey conducted by the SDS in 147 localities with over 20,000 inhabitants, which found that more than 600 barrios that could benefit from the program; (iii) the availability of national counterpart funds for financing the projects; and (iv) the representative sample of 19 projects used to define the cost structure. The program calls for resources to resolve the housing problems of approximately 12% of the country's households with unmet basic needs, which is considered a sound figure for the experimental phase of a program of this nature.

D. Cost and financing plan

1. Cost of the program

- 2.18 The total cost of the program is US\$170 million, of which the Bank will fund US\$102 million equivalent. The breakdown by investment category and source of financing is set out in the table below:

Table II-1
Cost table (in millions of U.S. dollars)

INVESTMENT CATEGORY	LOCAL	IDB/OC	TOTAL	%
1. Administrative costs	6.5	-	6.5	3.8
2. <u>Investments</u>	55.5	101	156.5	92.1
2.1 Physical investment	42.1	94.4	136.5	80.3
2.2 Social action	13.4	6.6	20.0	11.8
3. Institutional development	6.0	-	6.0	3.5
4. Inspection and supervision		1.0	1.0	0.6
TOTAL	68.0	102.0	170.0	100.0

2. Program financing plan

a. Bank financing

- 2.19 Bank financing would be granted from the ordinary capital in the amount of US\$102 million. These funds would cover approximately

60% of the total requirements of the program with the Bank, since in accordance with the indicative sample used, 80% of the beneficiaries will be in the low-income category. 5/ In addition, one of the selection criteria is that to be eligible a barrio must demonstrate that at least 75% of its population have unmet basic needs. Based on this indicative sample, the funds would be used as follows: (i) US\$6.5 million for administrative expenses; (ii) US\$156.5 million for direct costs for the comprehensive barrio upgrading projects; (iii) US\$6 million institutional strengthening; and (iv) US\$1 million for inspection and supervision.

2.20 The terms and conditions of the loan are as follows:

Table II-2
Terms and conditions of the loan

Source of funds	Ordinary capital
Amount	US\$102 million
Terms:	
Amortization period	25 years
Grace period	5.5 years
Commitment period	4 years
Disbursement period	5 years
Interest rate	Variable
Inspection and supervision	1% of loan amount
Credit fee	0.75% on undisbursed balances

b. Local contribution

2.21 The local counterpart is estimated at US\$68 million equivalent and would be financed by the Argentine government through its national budget. The 1996 budget includes an appropriation sufficient for that year.

5/ The poverty line is US\$110 per capita per month.

III. EXECUTION OF THE PROGRAM

A. Execution mechanisms

- 3.1 The government has designated the Secretariat of Social Development [Secretaría de Desarrollo Social] (SDS) to be responsible for coordinating and supervising program execution. The SDS will execute the program through its Office of the Undersecretary for Housing [Subsecretaría de Vivienda] (SSV), in which would be established the National Coordinating Unit (NCU), made up of the program preparation team.
- 3.2 With a view to strengthening local initiatives, execution of the program will be decentralized, with each province participating directly through signature of a fund transfer contract (FTC) with the executing agency. Under the FTC, the provincial government will accept the program conditions and those of the loan contract between Argentina and the Bank. Signature of at least one FTC will be a condition precedent to the first disbursement of the loan.
- 3.3 For decentralized program execution, provincial executing units (PEUs) will be set up, which initially will be the Provincial Housing Institutes [Institutos Provinciales de Vivienda] (IPVs). The PEUs will also be responsible for promoting the program and providing technical assistance to the weakest communities for preparation of project applications, project execution, providing guidance to the municipalities, and supervising the works and the social support.
- 3.4 The NCU will be responsible for ensuring that the PEUs comply with the program's conditions and Operating Regulations, promoting the program at the national level, providing guidance to and supervising the PEUs, and approving the projects to be financed. During program execution, the NCU will delegate project approval authority to PEUs that consistently submit high quality projects, within discretionary limits to be agreed upon with the Bank during the annual program reviews.
- 3.5 Execution will be carried out following the operating and financial procedures set forth in: (i) the loan contract between the Bank and the borrower; (ii) the fund transfer contracts between the SDS and the provinces; and (iii) the Operating Regulations.

B. Operating Regulations

- 3.6 Program execution will be governed by the Operating Regulations. The regulations stipulate, among other provisions, the mechanism for allocating and transferring funds to the provinces, the operating mechanism of the program, and the criteria for technical, economic, legal, social, and environmental eligibility and for

beneficiaries. The following documents, which stipulate the operating rules for program execution, will constitute an integral part of the regulations: (i) organization manual; (ii) guidelines for project preparation and evaluation; (iii) standard agreements; (iv) standard decrees; (v) social support manual; (vi) social action methodology; (vii) program monitoring manual; (viii) standard bidding documents; (ix) standard works and services contracts; and (x) chart of accounts. Entry into force of the Operating Regulations will be a condition precedent to the first disbursement of the loan.

- 3.7 Special mention should be made of the following points covered by the Operating Regulations.

1. Resource transfer mechanisms

a. Allocation of program resources

- 3.8 As described in paragraph 2.3, the program funds will be transferred to the provinces in accordance with the established allocation amounts (quotas).
- 3.9 The government will initially make the allocations in accordance with the following formula:

where:

$$0.5 \times \left(\frac{UBN_i}{UBN_T} \right) + 0.5 \left(\frac{UBN_i}{POP_i} \right)$$

UBN_i = population of province "i" with UBN (unmet basic needs)

UBN_T = total population of country with UBN

POP_i = total population of province "i"

- 3.10 This means that priority will be given both to the provinces with a large number of inhabitants with unmet basic needs in absolute numbers and also to the provinces where, although the number of inhabitants with unmet basic needs is small in absolute terms, a significant proportion of the population is in need.
- 3.11 The initial quota available to the provinces will be computed by taking 50% of the amount resulting from application of the above formula. The unallocated funds will be made available to the provinces that have committed 100% of their initial quotas. Commitment will be understood to mean signature of contracts for execution of works or services, or the procurement of goods. If 18 months after program startup the funds allocated to the provinces as initial quotas have not been committed, the balance will be canceled and added to the funds not yet allocated (originally the other 50%).

b. Additional contributions

- 3.12 Given the program's objective of mobilizing local resources, the provinces and municipalities will be required to make obligatory contributions such as specific technical studies, supplementary works, and land and core housing units for projects involving relocation of families, and subsidies and explanations to the population if it is decided to recover the costs involved in providing the sites and core housing.

2. Discretionary limits

- 3.13 Once all the requirements for project analysis have been fulfilled, the PEU will be able to approve project financing without involvement of the NCU when the total cost of each indivisible project is equal to or less than US\$500,000. For all projects the total cost of which exceeds that figure, the PEU will be required to submit its appraisal to the NCU, together with its recommendation and the justification for same. These limits will be reviewed in the annual program evaluations.

C. Execution of the project component

1. Main participants in the project cycle

- 3.14 The main parties in the project cycle are: the **requesting community**, where the project will be carried out; the **preparers**, public or private sector institutions such as the municipality, nongovernmental organizations (NGOs), independent professionals, local governments, and sector organizations, which prepare the project application jointly with the community; the **agencies responsible for program execution**, the NCU at the central level and the PEUs at the provincial level; the **representative of the respective community**, who signs the contract on behalf of the community, thereby accepting the project and committing the community to contributing to and cooperating in both its preparation and its execution; the **executors**, who may be individuals or qualified private organizations that provide the goods and/or services for project execution; and the **external supervisors**, who are professionals or organizations that ensure the quality of project execution.

2. Publicity, program promotion, and project identification

- 3.15 To ensure an adequate pipeline of eligible projects that would benefit the target population, the SDS will conduct various activities to publicize and promote the program, such as: (i) workshops with the PEUs; (ii) distribution of publicity materials to the communities in accordance with the map of municipalities with the greatest concentration of unmet basic needs; (iii) distribution of documents (guidelines for project

preparation and evaluation) to preparers that request them, explaining the basic procedures and project eligibility criteria; (iv) periodic contacts with NGOs and other parties that have demonstrated a commitment to working with the target groups and the capacity to do so; and (v) seminars for promoting interest on the part of local institutions and developing their capacity to submit projects in the priority areas (in accordance with the map of municipalities with the greatest concentration of unmet basic needs).

- 3.16 The PEUs, either directly or through the municipal social welfare offices and/or NGOs, will help the communities to express their needs in the form of eligible projects suitable for financing. The projects will include the technical and organizational training necessary for fostering comprehensive community development and ensuring the subsequent sustainability of the projects executed. By means of specific promotional activities and, where necessary, technical assistance, the program will place special emphasis on those communities that should be assigned priority, based on the map of municipalities where unmet basic needs are most prevalent, but which because of organizational and managerial weaknesses have difficulty preparing project applications and consequently absorbing program resources.

3. Project eligibility

- 3.17 Once the community's project application is received, the PEU, either directly or through the municipality and/or NGOs and with the community's participation, will prepare a summary of the project proposal which will be submitted to the NCU to verify that the project meets the phase I eligibility criteria (see table of eligibility criteria). The purpose of this phase I is to detect at an early stage projects with serious limitations, mainly in areas of land ownership and/or environmental protection, which will be hard and/or very costly to resolve, so that only further preparation of the project plans would not be warranted. If the phase I eligibility criteria are met, the next step will be to ensure that funds are available in the province concerned (see allocation of program resources). If funds are available, the PEU will issue a call for proposals so that the preparer can proceed with preparation of preliminary design work covering the technical, social, environmental, institutional, and financial elements in accordance with the instructions contained in the Operating Regulations and the guidelines for project preparation and evaluation.
- 3.18 To determine project eligibility, the NCU (the PEU once this function has been delegated to it) will check the preliminary design against the phase II eligibility requirements. It should be noted that higher priority will be assigned to projects which, in accordance with the indicative preallocation of resources, are located in the areas with the most unmet basic needs.

3.19 The eligibility criteria are summarized in Table III-1 below.

Table III-1
Eligibility criteria

Phase I	Phase II
<p>Legal</p> <p>Barrios located on land which is state, provincial or municipal property or which has been acquired by the occupants through title regularization processes that have been completed (or can be completed in phase II).</p>	<p>Legal</p> <p>The ownership of the land must be established in accordance with current legislation. Guarantee that the individual titling process can be completed.</p>
<p>Environmental</p> <p>Barrio not located in areas with any of the following characteristics:</p> <ul style="list-style-type: none"> a. high vulnerability to risks due to recurrent natural processes or that are too costly to mitigate; b. high vulnerability to risks due to anthropogenic situations that represent definite risks for the population; or c. locations that compromise sites of ecological, archaeological, or conservation value or declared to be of cultural value. <p>Project complies with the limits set in the applicable legislation regarding quality of natural resources.</p>	<p>Environmental</p> <p>To be submitted for each project:</p> <ul style="list-style-type: none"> a. environmental survey sheet; b. environmental management plan; and c. evidence that the respective environmental studies have been disclosed to the public.
<p>Social</p> <p>At least 75% of the population have unmet basic needs. The beneficiary population:</p> <ul style="list-style-type: none"> a. lives in the barrio on a stable basis (at least two years residence); and b. is not benefiting from any other similar program. <p>At least 70% of the households have incomes that are sufficient to cover the payments involved (property tax, services) by using 25% of their income.</p>	<p>Social</p> <p>Social support program started.</p> <p>Relocation plan approved by the beneficiaries.</p> <p>75% of the target households have indicated their concurrence with the project design.</p> <p>The community organization has participated in the selection of the firm preparing the project (design and social support).</p>
<p>Technical and economic</p> <p>The barrios must be located within the city limits of the locality and be linked with the downtown area by public roads that are usable year round.</p> <p>It must be feasible to provide the barrios with water supply, electric energy, and appropriate arrangements for wastewater disposal and solid waste collection.</p> <p>If there are no health and education facilities accessible to the occupants of the barrio, the respective province or municipality must guarantee that they will be provided.</p> <p>The final number of serviced sites may not exceed 10% of the number of families living in the barrio. These sites will be occupied by families facing environmental hazards that would be very costly to mitigate in other barrios.</p>	<p>Technical and economic</p> <p>Where relocation is involved, the project must provide housing for relocated families of the same or higher standard than they had before.</p> <p>The investment costs (excluding the sanitary core unit and value of the land) may not exceed the following ceilings per serviced site:</p> <ul style="list-style-type: none"> a. total investment: US\$6,500 b. water and sewerage system: US\$1,700 c. road system and storm drainage: US\$2,300 <p>The cost of design work, title regularization, and social support may not exceed 35% of the total investment.</p> <p>The investments in community facilities must be justified by a study of demand for and provision of the services.</p> <p>Funds may be provided for developing the undeveloped parts of the barrios for purposes compatible with the upgraded barrios.</p>
<p>Institutional and financial</p> <p>Agreement for transfer of funds from the province to the program has entered into force.</p>	<p>Institutional and financial</p> <p>Agreement signed with province and/or municipality ensuring complementary funds for financing acceptable housing for the households relocated.</p> <p>Project cofinancing and execution agreement concluded between the program and the province.</p> <p>Agreement on transfer of services with the provider institutions establishing the latter's commitment to operation and maintenance.</p>

4. Project execution and supervision

- 3.20 The PEU will issue a call for bids for the execution and supervision of eligible projects following the Bank's procurement procedures. The project preparer may supervise the works and provide the social support services, in which case an addendum to the original contract will be prepared specifying the community organization and its functions, responsibilities, and rights. If the parties (PEU, preparer, and community organization) are unable to reach agreement on project supervision, the PEU will issue a call for bids for supervision, with the project preparer being ineligible to participate. Execution of the land ownership legalization component and supervision of the social support component will be the responsibility of the PEU.
- 3.21 The PEU will be required to agree with the beneficiary municipality that the latter will provide the public service facilities that are within its authority, appoint a representative to the PEU for coordinating and monitoring project implementation and promote, at the municipal level, the participation of the municipal authorities in accordance with the Operating Regulations and the organization manual.
- 3.22 Once project execution is completed, the works will be turned over to the service-providing firms or organizations (utilities), the municipality (rest of public infrastructure and transfer of ownership of community facilities with the commitment to allow the community organization to use them), and the beneficiaries (legalization of land ownership, commitment to allow the specified use of community facilities and to start up the Community Social Fund).

5. Program monitoring

- 3.23 The borrower, through the executing agency, will submit to the Bank, in accordance with the program monitoring manual, annual reports on program implementation. These reports must be submitted within 90 days of the closing date of each calendar year throughout the program execution period and for an additional two years after the date of the last disbursement.
- 3.24 In light of the program's original criteria and objectives, the areas on which the monitoring will be required to concentrate will be those specified in the logical framework set forth in Annex III-3. By way of example, certain of these areas are: (i) reduction of the incidence of housing problems in the unmet basic needs of the target population; (ii) formal establishment and consolidation of representative beneficiary organizations; (iii) land ownership; (iv) community services and facilities; (v) environmental protection; (vi) beneficiary population; and (vii) implementation of the works, social support, and institutional strengthening components. The indicators shown in Annex III-3 and the program monitoring manual will be used for these purposes.

D. Execution of the institutional strengthening component

- 3.25 Execution of this component will be the responsibility of the NCU, which will follow Bank procedures for hiring the necessary services. It is important to note that mainly the services of NGOs will be used for execution of the activities included in this component, chiefly those concerned with training and technical assistance for social support and environmental management to be provided to the communities, participating government agencies, and municipal technical personnel.

E. Other aspects of program execution

1. Procurement of goods and services

a. Goods

- 3.26 Goods will be procured and construction contracts awarded following the procedures laid down in Annex B to the loan contract. International competitive bidding will be required for the procurement of goods in amounts over US\$350,000 and for construction contracts over US\$5 million. These thresholds are justified by the fact that in similar projects in Argentina international bidders only participated when the amounts were above such amounts. Bidding on goods and contracts below these thresholds will be conducted in accordance with domestic legislation. In these cases, when the proceeds of the Bank loan in foreign exchange are used, there may be no restrictions on participation by bidders from Bank member countries.

- 3.27 Annex III-4 contains the program procurement plan.

b. Consulting services

- 3.28 Consulting services will be selected and hired in accordance with the Bank's rules for hiring consulting services annexed to the loan contract. However, in view of the such large volume of such services required for the program and in order to expedite its execution and facilitate supervision, which will be the responsibility of the Country Office, it is recommended that prior consultation with the Bank only be required in the case of contracts with individual consultants for over US\$50,000 and contracts with consulting firms for over US\$100,000. The standard terms of reference for each group of services must be approved by the Bank in advance.

2. Disbursements

- 3.29 Considering the nature of the operation, the volume of transactions that will be generated by the procurement of goods and services and the characteristics of a global program, a quick and efficient mechanism has been designed to expedite disbursement of program funds.

- 3.30 Disbursements will follow Bank procedures, except for justification of advances and reimbursement of payments made, in which case the executing agency will only be required to submit to the Bank's Country Office the disbursement request, a detailed statement of payments, and the record of disbursements and local contributions, leaving the supporting documentation with the executing agency.
- 3.31 The executing agency will ensure that the information contained in the statement of payments is duly supported by the vouchers normally required by the Bank. The executing agency will be expected to retain originals and/or copies of the contracts, orders, invoices, receipts, payment vouchers, supplier certificates, certificates of origin, and any other documents that substantiate the information provided in the statement of payments. This documentation is to be duly identified, properly filed, and made available for inspection by the Bank and outside auditors. It will be kept in an active file, located where the executing agency indicates, for a period of not less than five years from the date of the last disbursement of the Bank loan.
- 3.32 In the course of its inspection visits, the Country Office will check samples from the supporting documentation for the disbursements. When technical and/or financial inspections are performed, it will be verified by sampling that there is supporting documentation for the requests and that the amounts indicated in the reimbursement requests have been used as required under the loan contract. If any errors are detected a larger percentage shall be verified and the executing agency notified to make the corresponding deductions from future requests.

3. Advance of funds

- 3.33 In view of the characteristics of the program and the diversity of the activities to be financed, it is recommended that an advance of funds equivalent to 10% of the amount of the proposed loan be established.

4. Recognition of previous expenditures

- 3.34 The executing agency has incurred a number of expenses for program preparation, the surveys, and the consulting services necessary for preparing the sample projects. The amount of these expenditures up to the date scheduled for approval of the loan is estimated at US\$450,000, of which US\$350,000 would be chargeable to the Bank financing and the balance of US\$100,000 to the local contribution. The analysis mission found that the SDS followed procedures substantially similar to those recommended in the loan contract for the procurement of goods and services eligible for recognition as previous expenditures.

5. Auditing

- 3.35 Beginning in the fiscal year in which program execution is initiated and throughout the execution period, the financial statements of the program are to be submitted annually within the first four months after the close of each fiscal year, together with the opinion of independent outside auditors.
- 3.36 The program progress reports are also to be submitted annually within the same terms as the financial statements, with an opinion by independent outside auditors, and including an evaluation of compliance with the Operating Regulations.

6. Ex post evaluation

- 3.37 Given the nature of the program, an evaluation is recommendable. It can draw upon data from monitoring reports that will be available both to the borrower and to the Bank.

IV. THE BORROWER AND THE EXECUTING AGENCY

A. The borrower

- 4.1 The borrower will be the Republic of Argentina, which will appoint the Secretariat of Social Development [Secretaría de Desarrollo Social] (SDS) as executing agency. The SDS will execute the program through its Office of the Undersecretary for Housing [Subsecretaría de Vivienda] (SSV), in which the National Coordinating Unit (NCU) would be set up.

B. Executing units

1. Office of the Undersecretary for Housing (SSV)

- 4.2 For purposes of program execution, the SSV will have in the NCU the technical team of the National Technical Unit (NTU), which was established in the Office of the Undersecretary for Social Projects for program preparation.
- 4.3 The NTU has demonstrated its capacity to promote and manage preparation of projects, studies, and other background materials needed for the preparation of this program. It has a staff of sound technical level, established administrative systems, and an infrastructure suited to its functions.
- 4.4 The structure of the NCU will be made up, initially, of 32 persons: 1 executive coordinator; 3 attorneys; 2 institutional specialists; 4 social evaluation specialists; 12 project evaluation specialists, including environmental specialists; 5 specialists in bidding procedures; and 5 administrative staff. At a later stage in program execution, once the provincial executing units (PEUs) have gained more experience in this type of project and have been given more autonomy in the program execution, the NCU will be reduced to 19 persons primarily involved in program supervision.
- 4.5 The team will be made up of consultants retained on annual contracts, thus making it possible to set up a flexible structure for accommodating the SSV's needs for program execution.
- 4.6 In order to formally establish the NCU as the executing unit of the program, with all the respective legal powers, the borrower will be required, as a condition precedent to the first disbursement, to demonstrate to the Bank's satisfaction that it has set up the program executing unit in the Office of the Undersecretary for Housing.

2. Provincial executing units (PEUs)

- 4.7 The provinces will use the Provincial Housing Institutes [Institutos Provinciales de Vivienda] (IPVs) as PEUs for program implementation. The IPVs are autonomous agencies responsible for administering provincial housing projects. The PEUs will be responsible for supervising and executing the program in their respective jurisdictions, for which they will be given sufficient authority to enable them to coordinate and supervise the projects within their purview.
- 4.8 The PEUs have staff with sufficient professional experience in their areas of expertise, which are compatible with the profiles required for program execution, especially considering its social approach. However, in general the PEU staffs lack experience in executing projects of this type, and consequently will require training by the NCU in the methodology to be used for the program. Accordingly, within six months after signature of the loan contracts the borrower, through the executing agency, must submit to the Bank's satisfaction evidence that it has started the training called for under the institutional strengthening component, to be financed with program resources.
- 4.9 In addition, the PEUs shall provide for the major and/or specialized work to be performed in the execution of the program and/or specific projects through consulting services. They will be graded according to the findings of the annual evaluations of their capacity conducted by the NCU, as described in Chapter III, and will be given greater autonomy as executing units, including the authority to approve projects within the limits to be agreed with the Bank, during the annual program reviews.

V. FEASIBILITY AND RISKS

A. Introduction and summary

- 5.1 The proposed program will supplement the Argentine government's social initiatives in housing, which to date have focused on the financing of new dwellings through investments made by the IPVs with FONAVI funds and operations financed by the National Mortgage Bank. By financing investments in improvement of substandard barrios the program is tackling a problem that affects more than 370,000 low-income households and which has not been covered, at the national level, by any existing programs. The proposed program does not conflict in any way with the ongoing housing policy reform.
- 5.2 The federal government's decision to concentrate the investments in substandard barrios located in cities of 20,000 or more inhabitants is justified by the high concentration of eligible households in such cities and the greater management capability of the local authorities of such cities, which is a critical factor in the implementation and consolidation phase of an innovative program. The sizing of the program, which will finance housing improvements for approximately 30,000 families, is considered appropriate for initial implementation. The program will benefit approximately 12% of the 260,000 families estimated to be living in substandard barrios in cities of over 20,000 inhabitants. Once the executing units have gained experience in the identification, design, contracting, execution, and monitoring of projects of this sort it will be easy to expand the scope of the program by channeling more resources into it. As the projects get under way the provinces are expected to channel additional resources, in order to meet the demand that will develop as a result of the demonstration effect of the projects financed under the program.
- 5.3 The proposed investments will approach the problems of families living in substandard barrios in a comprehensive manner, since they will cover regularization of land tenure and also infrastructure for water supply, sanitary disposal of wastewater, storm drainage, and environmental protection. The program will also promote planned layouts of the settlements, thereby preventing the crowding problems found in some barrios. It includes funding for families that cannot be accommodated in the original barrios to be resettled in fully serviced subdivisions with core housing units that will represent an improvement over their previous dwellings.
- 5.4 The comprehensiveness of its objectives and the emphasis placed on social organization of the community to ensure the sustainability of the projects justify categorization of the program as social; it is not a housing program with a significant social component but a social program that strengthens the community's organization

capacity around barrio upgrading schemes decided on by community consensus. This social approach constitutes a radical change in that the program is not limited to just informing and consulting (on a small scale) the community to obtain its consent to the proposed operations, but instead makes the community the lead player in the initiative. The population's formal consent is still an important part of the process but only an initial stage. Community involvement will subsequently develop into comanagement (PEU, preparers, and community organizations) in the execution of the works, and eventually, prior to the handing over of the facilities, full-fledged self-management by community interests.

B. Feasibility analysis

1. Analysis of the sample

- 5.5 As part of the feasibility analysis of this operation a sample of 19 projects totaling US\$46.5 million was examined. The preparation and evaluation of the sample provided a more precise picture of the type of investment proposed, the problems involved, and the solutions adopted, as well as the amount and structure of the costs. Maximum cost parameters were determined for projects not included in the sample (see credit regulations).
- 5.6 The analysis of the 19 sample projects revealed that 12 of them, totaling US\$34.6 million (23% of the total cost of the component), met all the eligibility criteria, three did not meet the phase I eligibility criteria, and four did not meet the technical and economic eligibility criteria of phase II.
- 5.7 The analysis of the sample also confirmed that the projects targeted disadvantaged groups and were sustainable. The main findings of the sample analysis are set out below:

Table V-1
Findings of project sample analysis
(in US\$ - with VAT)
1995

Province	#	Project	No. of sites	Investment cost <u>1/</u>		Compliance with criteria <u>2/</u>			
				Total (millions)	Per site (thousands)	Legal	Environmental	Social	Technical-Economic
Corrientes	1	Molina Pta	137	1.2	8.8	yes	yes	yes	yes
	2	Villa Ibera	167	1.5	9.1	yes	yes	yes <u>3/</u>	yes
Formosa	3	Municipal	176	1.7	10.0	yes	yes	yes	yes
	4	Virgen de Itat	120	1.3	10.6	yes	yes	yes	yes
Jujuy	5	Cucharita	57	.66	12.0	yes	yes	yes <u>3/</u>	no <u>4/</u>
	6	El Chingo	709	5.4	7.7	yes	yes	yes	yes
Parana	7	A. Medina	172	1.8	10.0	yes	yes	yes	yes
	8	Cantera Yatay				no	no	-	-
Posadas	9	P. Adam	190	2.1	11.0	yes	yes	yes	yes
	10	I. Mini	200	2.3	11.4	yes	yes	yes <u>3/</u>	no <u>4/</u>
Resistencia	11	Sta. Rita	102	.91	9.0	yes	yes	yes	yes
	12	V. Adelante	86	.69	8.0	yes	yes	yes <u>3/</u>	no <u>4/</u>
La Rioja	13	20 de Mayo	242	1.8	7.3	yes	yes	yes	yes
	14	Nueva Rioja	690	5.3	7.7	yes	yes	yes	yes
Salta	15	Las Costas	675	4.8	7.0	yes	yes	yes	yes
Santiago	16	La Católica	670	4.8	7.1	yes	no	-	-
	17	Los Lagos	124	1.5	12.2	yes	yes	yes	no <u>4/</u>
Tucuman	18	El Salvador	1,032	7.0	6.7	yes	yes	yes	yes
	19	Pocitos	256	2.0	7.5	no	-	-	-
TOTAL				46.5		Total meeting criteria = \$34.6			

1/ Includes VAT, excludes land.

2/ See credit regulations

3/ Community organization process needs to be completed before work is started.

4/ Do not meet cost-efficiency criteria and will have to be revised.

2. Social measures

- 5.8 Seventeen projects met the phase I eligibility criteria. A social diagnostic study was then conducted for each of them as described in the project cycle. This study, in conjunction with the census conducted in each locality and the results of the social work, made it possible to draw up a detailed socioeconomic profile of the sample communities. In terms of social organization, 13 of them were found to have a formal organization that was recognized by the municipality concerned and served as a valid voice and representative of the community, while the other four projects needed more work to achieve official recognition of their

organizations before any works could be started. The degree of social support required (support measures, training, and technical assistance) was determined for each project. It varied depending on the degree of social development, with the most developed requiring around 12 months' work in this connection (i.e. Los Lagos project), while the relatively least developed or those involving new resettlement schemes need 18 months' work (Villa Adelante project and the I. Mini resettlement project).

- 5.9 The experience of working with the sample project communities amply demonstrated their interest in being part of the process, as was underscored by their readiness to voice their opinions and their capacity to assume responsibilities and express their rights in the project identification and preparation process. This experience not only served to ensure that the architectural design adopted met with the community's approval, but also made it possible to determine the role and level of the community's involvement throughout the project cycle and to verify in practice that real involvement of the community right from the start significantly facilitates accomplishment of the objectives set for the program and ensures the sustainability of the facilities financed under it. The experience gained during sample preparation and analysis was extensive and varied and greatly enriched the design of the operating mechanisms for its execution. It ranged from situations of absolute indifference towards and disregard for government initiatives, where access to the barrio for the government agencies was limited and difficult, to instances of comanagement in which public agencies, preparers, and the community worked together to prepare the preliminary design. This made it possible to ensure not only that the mechanisms, eligibility criteria, and procedures proposed for the program constitute a good theoretic approach, but also that they are the practical outcome of interactive and participatory work with all the parties involved in the process, especially the communities.
- 5.10 Moreover, with respect to the social eligibility criteria, the findings of the analysis of the sample were fully consistent. For example: (i) the population had unmet basic needs (connected, in this case, with clear housing deficiencies and limited access to basic services); (ii) they were in the lowest income bracket; (iii) they had lived more than two years in the barrio; and (iv) there was no similar program for housing. Any variations identified by the survey concerned only a minority of the sample population and did not have any impact of substance on the overall characteristics of the barrios.

3. Legal and environmental criteria

- 5.11 The projects declared ineligible for legal or environmental reasons demonstrate that the eligibility criteria can screen project ideas by eliminating those involving uncertain legal situations and others proposed on land with a high incidence of environmental

problems. The former could be made eligible by resolving the respective legal problems, which are usually connected with ownership of the land occupied by the communities, while the second group can be redefined as resettlement programs utilizing serviced lots on sites not affected by environmental problems.

4. Technical and economic criteria

- 5.12 In general, the projects meeting the legal and environmental criteria are well designed and in accordance with the national legal and technical standards, with designs that represent the least-cost solutions that will remedy the problem faced by the beneficiary community. The estimated investment costs are reasonable and in accordance with the circumstances prevailing in the different provinces. Competitive bidding is expected to bring the actual cost of the projects down below estimate. It is also expected that costs will gradually become lower as the PEUs and contractors gain experience in this type of work.
- 5.13 The **economic** analysis concentrated on examining aspects of cost-effectiveness and value appreciation of serviced sites as a result of the project (also as a measure of the efficiency of the investment), effective targeting of low-income groups, and sustainability of the investments. The analysis of the sample revealed that the majority of the projects posted costs below the ceilings set of US\$6,500 per lot for total cost, US\$1,700 for water and sewerage, US\$2,300 for roads and storm drainage and nonconstruction costs at 35% of the total cost of the lot (designs and engineering, tenure regularization, and technical and social support). ^{6/} These ceilings were set to maximize the program's cost-benefit ratio and to ensure that simple standards would be used for services so that the program would reach a larger number of beneficiaries.
- 5.14 Only the La Cucharita and Los Lagos projects show above-ceiling costs. In their cases, the infrastructure works are based on high standards, which may be subject to revision. The I. Mini project has high water and sewerage component costs because a catchment facility is required. The V. Adelante project has a high nonconstruction investment cost because it involves complete internal relocation. These projects will be revised by the Argentine authorities to bring them down to the ceiling figures and/or to justify the higher cost.

^{6/} The ceilings were established on the basis of the average cost recorded plus two standard deviations, for each of the following items: total cost, water and sewer component, and road and storm drainage component. The nonphysical investment was not to exceed 35% of the total investment cost for each project.

- 5.15 As regards value appreciation, the economic appraisal of the sample showed that the land to be used and which met the selection criteria would increase in value on account of the project by an average of 91% of the investment cost. Ideally, the appreciation should exceed the investment cost, but bearing in mind the externalities that will be produced around the barrios, the figure quoted is considered acceptable. Moreover, by applying the simple cost-efficiency criterion by which only projects with costs below those shown in paragraph 5.10 would be eligible, it can be assured that overall the appreciation will be close to or greater than the investment cost.
- 5.16 Regarding targeting, it should be noted that to be eligible the barrios have to demonstrate that at least 75% of their population has unmet basic needs. Review of this requirement in the sample showed that some 60% of the sample beneficiaries declared monthly household incomes no greater than US\$300 while 80% did not have more than US\$450, which is consistent with the Bank's US\$110 per capita per month poverty line. This finding indicates that the project benefits basically the lowest income bracket of the population and qualifies as a poverty-targeted investment as defined in paragraph 2.15 of the Eighth Replenishment document (AB-1704). In addition, a sensitivity analysis of the end value of the dwellings located in the improved lots indicated that for more than 70% of the beneficiaries, the value of their dwellings is consistent with their household annual income, which ensures some degree of permanence on the part of the beneficiaries. 7/
- 5.17 As regards sustainability of the projects, the analysis showed that for all the projects at least 70% of the beneficiaries reported a monthly minimum income sufficient to adequately cover the minimum charges payable in respect of the improved lot: property tax, municipal taxes, and rates for water, sewerage, and power services.

5. Institutional and financial feasibility

- 5.18 The institutional mechanism for program execution involves various institutions, which is not considered a problem for this decentralized approach because each institution has clearly assigned responsibilities set forth in the program Operating Regulations. Regarding the NGOs' participation, a survey of the sample projects showed that there are enough organizations with the capacity needed to provide the services required by the program.
- 5.19 Furthermore, the effective participation of the IPVs (future PEUs) and the municipalities in the preparation of the sample projects combined with the fact that the technical team that prepared the

7/ For this analysis it was assumed that the ratio of the value of a dwelling to household annual income should be of a value between 3 and 6.

program would remain with the NCU will help ensure sufficient execution of the program, along with the institutional strengthening component and the active participation of the communities targeted during every phase of the project cycle.

- 5.20 As described in Chapter II, the proceeds of the proposed Bank loan will be transferred to the PEUs, and the counterpart funds will be provided by the Argentine government.
- 5.21 In addition, for the contributions required for construction of the works to supplement project execution, the provinces will use FONAVI funds totaling some US\$900 million per year, thereby ensuring the financial feasibility of the program.

C. Risks

- 5.22 The decentralized execution of the program through the IVPs, which lack experience in identifying, designing, and executing projects of this type raises the risk of inconsistent application of the eligibility criteria agreed upon, which would have an impact on efficient resource allocation. This problem could be serious in the case of the legal and environmental eligibility criteria, which are decisive for project feasibility and costs. To mitigate this risk, it has been agreed that the central executing unit, which gained experience during the preparation of the sample of projects, will supervise the project identification and design process very closely. This supervision will be relaxed as the PEUs demonstrate the ability to correctly apply the eligibility criteria as set forth in the Operating Regulations.
- 5.23 Another risk is that the operation and maintenance of the facilities financed under the program might not be in accordance with acceptable practices and standards. To mitigate this risk, the PEUs will sign agreements to turn the facilities over to the operating agencies which will specify the latter's obligation to maintain them in accordance with acceptable standards. The maintenance of facilities and infrastructure for which the communities will be responsible will be ensured by setting up community organizations (or developing existing ones) capable of assuming this responsibility. The PEUs will be responsible for monitoring the maintenance of the works and reporting regularly to the Bank on it.

Component	Benchmark
Investments	<p><u>Project pipeline</u> Year 3. A minimum pipeline of 100 projects eligible for financing available at national level.</p> <p><u>Financing of investments</u> 18 months All provinces executing barrio improvement projects. Every 18 months. Check that the ratio of number of homes built and the provincial population with UBN is substantially similar in all the provinces. If it is not, the NCU will intensify the promotional and institutional strengthening activities in the provinces that are lagging. Years 2 and 4. Calculate the volume of funds allocated by the provinces and municipalities to financing of barrio improvement projects. Check whether the percentage participation of this source of the financing is growing. If it is not, the NCU will intensify promotion of such local participation in financing.</p> <p><u>Titling</u> Year 2. As of this year, all provinces with projects executed will deliver 100% of the property titles within twelve months of completion of the works.</p>
Social Action	<p>Year 2. As of this year at least 80% of the community organizations of beneficiary barrios will have Community Funds functioning with no more than 30% of the members behind in their payments.</p>
Institutional Strengthening	<p>6 months. The NCU has started institutional strengthening work in over 40% of the provinces.</p> <p>9 months. All PEUs established and operating.</p> <p>18 months. 80% of the provinces have committed 100% of their initial quota of funds.</p>

	OBJECTIVES	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	To contribute to improving the living conditions of the low-income population by reducing the incidence of housing problems among unmet basic needs.	Reduction of the low-income population with UBN living in substandard housing.	National Population and Housing Censuses and Household Surveys.	No increase in structural measured by the UBN index. Continuity of the other social policies for improving the standards of the low-income population (health, education, etc.).
SE	To provide basic infrastructure and regularization of land ownership for households in squatter settlements in population centers of over 20,000 inhabitants by means of integrated barrio upgrading projects. To stimulate community organization processes for resolving housing problems. To develop in provinces and municipalities capacity to identify, develop and execute integrated barrio improvement projects. To mobilize provincial or municipal resources for funding integrated barrio upgrading projects.	Execution in all provinces of barrio improvement projects in proportion to the families with UBN. Consolidation in all program-benefited barrios of community organizations capable of administering the community's funds and supporting the housing consolidation process. Establishment in all provinces of technical capacity for identifying, designing and executing barrio improvement projects. Participation of provincial or municipal resources in the financing of barrio improvement projects.	Program execution indicators generated by SIEMPRO (Social Programs Information, Evaluation and Monitoring System). Annual reports of the NCU on the functioning of the PEUs. Audits of the functioning of the community organizations performed Annual reports of the PEUs on the origin of the funds used for financing the program projects.	Continuous improvement of quality of sanitation services in the cities eligible for the program. Federal Fiscal C in effect under which funds transferred to the provinces (a) specialized technical personnel, and (b) financing housing programs.
NENT	Projects Investments: Improvement of land tenure. Installation of urban infrastructure Mitigation of environmental problems Resettlement Social action: Social support Training Institutional strengthening Support for PEUs and municipalities	Projects Investments: Execution of barrio improvement or resettlement projects that benefit at least 30,000 eligible households, with delivery of regularized individual ownership titles to all households. Social action: Consolidation of community organizations capable of administering the community funds and supporting housing consolidation the barrios benefited. Institutional strengthening PEU consolidation in all provinces.	Projects Investments: Annual reports of PEUs Annual reports of NCU Social action: Annual audits of the community organizations by the PEUs Institutional strengthening Annual reports of NCU	Availability of complement resources in the provinces municipalities for funding housing in the projects in resettlement. Existence of construction capable of executing all the components of the barrio improvement projects. Existence of public agencies or private organizations capable carrying out the social support activities under contract with the PEUs

	OBJECTIVES	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
TIES	<p>Projects</p> <p><u>Investments:</u></p> <p>Phase I</p> <p>Declaration of eligibility prioritization of projects and contracting of social support.</p> <p>Phase II</p> <p>Preparation of designs, financing, contracting, execution and acceptance of the works.</p> <p>Transfer of barrio infrastructure to operators and/or community.</p> <p>Delivery of individual property titles.</p> <p><u>Social action:</u></p> <p>Support for formation or strengthening of community organizations.</p> <p>Monitoring of the functioning of these organizations (administration of Com. Fund and of the infrastructure facilities for which they are responsible).</p> <p>Institutional strengthening</p> <p>Technical assistance to PEUs for developing operating capability.</p> <p>Supervision of PEUs' actions by NCU.</p>	<p>Projects</p> <p><u>Investments:</u></p> <p>Phase I</p> <p>Configuration of a project pipeline in the provinces.</p> <p>Timely declaration of eligibility and prioritizing of projects to allow commitment of the funds allocated to each project in the first 18 months of the program.</p> <p>Phase II</p> <p>Quick contracting of projects eligible for financing.</p> <p>Timely disbursement of program funds and province or municipality contributions.</p> <p>Acceptance and transfer of the facilities as soon as they are completed.</p> <p>Delivery of individual property titles on completion of the works.</p> <p><u>Social action:</u></p> <p>Existence of formal community organizations functioning in all beneficiary barrios.</p> <p>Community Funds set up in all communities with proportion of members behind with payments less than 30%.</p> <p>Institutional strengthening</p> <p>Existence of efficient PEUs in all provinces.</p>	<p>Projects</p> <p><u>Investments:</u></p> <p>Annual reports of PEUs</p> <p>Annual reports of NCU</p> <p><u>Social action:</u></p> <p>Annual audits of the community organizations by the PEUs</p> <p>Institutional strengthening</p> <p>Annual reports of CEU</p>	<p>Support from provincial and municipal governments for program activities.</p> <p>Beneficiary households interested in joining the community organizations.</p>

Barrio Improvement Program
(AR-0163)

Procurement plan

Main program procurement items	Financing (millions)		I C B	Prequalification	L C B	Date of publication of GPN
	IDB	Local				
Works: No. of packages: 62 for US\$98 million	US\$58.8	US\$39.2			X	March 1996
No. of packages: 10 for US\$55 million	US\$33.0	US\$22.0	X	No		

Appendix 1
Original: Spanish
AR-0163

PROPOSED RESOLUTION

ARGENTINA. LOAN /OC-AR. TO THE REPUBLIC OF ARGENTINA
PROGRAM OF CITY DISTRICTS IMPROVEMENT

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 a program of city districts improvement. Such financing will be for the amount of up to US\$102.000.000, or its equivalent in other currencies, except that of Argentina, which are part of the Ordinary Capital resources of the Bank, and it will be subject to the "Special Contractual Conditions" and the "Terms and Financial Conditions" of the Executive Summary of the Loan Proposal.