

## QUALITY STANDARDS AND CERTIFICATION PROGRAM

(TC-98-12-06-7-AR)

### EXECUTIVE SUMMARY

<b>Executing agencies:</b>	The Argentine Accreditation Board and the National Quality Award Foundation	
<b>Beneficiaries:</b>	Small and medium-sized professional and technical enterprises, quality standard auditors and implementers, quality certification firms, testing and calibration laboratories, and the National Standards, Quality, and Certification System.	
<b>General objective:</b>	The general objective of the program is to improve the competitiveness of Argentine small and medium-sized enterprises (SMEs) by promoting quality in their management, processes, and products. The program has two aims: (i) to strengthen the National System of Standards, Quality, and Certification by promoting international recognition of the Argentine Accreditation Board and promoting demand for accreditation services; and (ii) to improve quality among Argentine SMEs by promoting their adoption of the National Quality Award quality management model.	
<b>Financing:</b>	Modality:	Grant
	MIF (Facility II)	US\$1,637,000
	Local counterpart:	<u>US\$1,563,000</u>
	Total:	<u>US\$3,200,000</u>
<b>Execution timetable:</b>	Execution period:	36 months
	Disbursement period:	42 months
<b>Special contractual conditions:</b>	The first disbursement is conditioned upon: (a) application of the Implementation Manual; (b) preparation of terms of reference for the consultants and evaluators; and (c) hiring of the program coordinators.	
<b>Exceptions to Bank policy:</b>	None.	
<b>Environmental and social review:</b>	The project was reviewed by the Committee on Environment and Social Impact (CESI) on 6 October 2000. The CESI's recommendations are reflected in the document.	

## **I. THE COUNTRY AND PROJECT ELIGIBILITY**

- 1.1 The Donors Committee declared the Argentine Republic eligible for all financing modalities under the Multilateral Investment Fund (MIF) on 30 November 1993. This project is consistent with MIF policies in support of small enterprise, in that it will offer services to improve their competitiveness by promoting the quality of management, processes, and products, through support for training activities for institutions and enterprises (window II).

## **II. FRAME OF REFERENCE**

- 2.1 During the 1990s, the Argentine economy entered into an intense process of structural reform resulting in a more open economy, the privatization of State enterprises, and reform of the State. These changes caused a sharp reduction in inflation and encouraged investment flows and consumption. In recent years, the process of integrating the country's economy internationally has been intensified on the strength of direct foreign investment, technological advances and a new business environment.
- 2.2 For Argentine businesses generally, and small and medium-sized enterprises (SMEs) especially, the changing business scene has led to an increase in competitive pressures and a realignment of the competitive structure. Systemic and the "non-price" factors, such as quality control, after-sales service, design, customer and subcontractor satisfaction, faster production and delivery, and supply logistics have been taking on increasingly greater weight in business competitive strategies.
- 2.3 In this new environment, a company's competitive advantage in such areas as the quality of its products and processes, represents a key not only to growth and international expansion, but also to the consolidation and defense of its own domestic market share.<sup>1</sup> This challenge is particularly critical for SMEs, which must offset changes in optimum scale and the entry of new and larger competitors by developing new competitive advantages and strategic, technical, and organizational capabilities.
- 2.4 Incentives for companies to adapt their operations take on particular relevance in this context, especially for smaller companies, which will find it more difficult than larger companies to develop strategies based on best business practices, given the flawed markets in which they operate. In that regard, a recent study on Argentine SMEs<sup>2</sup> shows that continuous improvement in the quality of a company's processes and products, and the introduction of technological and organizational changes, are

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<sup>1</sup> See Lundvall and Kristensen, 1997, and Lundvall and Johnson, 1994.

<sup>2</sup> Jorge R. Robbio, *El perfil de los exportadores PYMES*, Instituto par el Desarrollo Industrial, [Profile of SME exporters, Institute for Industrial Development] 1997.

conditions necessary for successful transition into the international market, and these factors tend to be more important, in terms of a continued presence in the international market, than price.

- 2.5 Various types of instruments have been introduced in Argentina to support the development of SMEs, including an export business reconversion program, a business restructuring program, and business development centers. IDB/MIF support was provided for the latter two. In the area of quality enhancement, however, a veritable revolution over the past two decades in the more advanced countries has left Argentina in a relatively backward position, a situation which affects the competitiveness of its entire system of production. An innovative project for the country that significantly strengthens the country's quality enhancement system and supports the introduction of quality techniques in the management, production, and marketing processes of SMEs, could dovetail extremely well with the other business support programs underway in the country.

### **1. The National Standards, Quality, and Certification System**

- 2.6 The Sistema Nacional de Normas, Calidad, y Certificación [National Standards, Quality, and Certification System] (Sistema Nacional de Calidad—SNC [National Quality System]) was established in 1994 by decree 1474/94. Its objective is to create an infrastructure of quality promotion agencies and give companies access to a voluntary accreditation and certification system with a view to improving their competitiveness in international markets.
- 2.7 The SNC structure consists of three levels: (i) a Consejo Nacional [National Board], with representatives from various agencies, responsible for planning, implementing, and evaluating public quality improvement policies; (ii) the Organismo de Normalización [Standards Bureau] (IRAM), which develops, issues, registers, and disseminates standards, and the Organismo Argentino de Acreditación [Argentine Accreditation Bureau] (OAA), responsible for accrediting quality certification institutions and testing and calibration laboratories; and (iii) other entities participating in the system, such as laboratories, auditors, and certification agencies.
- 2.8 The SNC has a number of important deficiencies, as shown in the table below: it is, in particular, severely underequipped compared to countries with similar levels of development, in terms of the number of accredited laboratories and certified companies.

### **2. Organismo Argentino de Acreditación [Argentine Accreditation Bureau]**

- 2.9 The Organismo Argentino de Acreditación [Argentine Accreditation Bureau] (OAA) was established in May 1995 as a civil-law nonprofit institution and was

delegated national accreditation functions<sup>3</sup> for testing and calibration laboratories as well as quality certification institutions for products and systems. The OAA also participates in setting up international or regional agencies to serve common interests in the area of accreditation and to maintain an up-to-date register of accredited institutions.

**Table II-1**  
**National Quality Systems**

<b>Accreditation Institutions</b>	<b>OAA</b>	<b>ENAC</b>	<b>INMETRO</b>	<b>INN</b>	<b>OUA</b>
<b>Number of clients</b>	<b>Argentina</b>	<b>Spain</b>	<b>Brazil</b>	<b>Chile</b>	<b>Uruguay</b>
Testing laboratories	12	213	103	66	
Calibration laboratories	6	97	121	17	
Systems certification*	3	16	24	4	1
Product certification*	4	4	20	15	
<b>Total Accreditations</b>	<b>25</b>	<b>330</b>	<b>268</b>	<b>106</b>	<b>1</b>
Other indicators					
Years in operation	4	15	15	3	3
GDP 1998 (US\$ million)	298,280	547,459	775,033	72,949	20,831
1999 population (thousands)	36,578	39,418	168,495	15,018	3,313
Average fees (three years)	21,733	13,422	7,633	4,847	6,883
* IRAM is accredited for both systems and products (counted twice). The statistics for the remaining countries would also take into account "certificates" and not clients; Brazil has one personnel certification body to certify quality systems and environmental auditors and 45 inspection agencies; Chile has 49 auditors and one agency respectively.					

Source: project analysis data.

- 2.10 Argentine firms competing or attempting to compete in external markets have to demonstrate that they offer levels of quality certified by accredited institutions and by an internationally recognized agency. The OAA, however, is still not recognized by its regional or international counterpart agencies, which prevents it from performing its role properly. This lack of international recognition not only has an impact on the SNC itself, but also lessens the value of OAA accreditation to local businesses and organizations, thereby reducing demand for the service. The accreditation OAA can offer is simply not that attractive for Argentine certifying organizations and laboratories. International accreditation of the OAA, the central aim of this program, is therefore an important step in strengthening the SNC.
- 2.11 To complete the accreditation processes, the OAA must meet a series of requisites established by specific ISO/IEC rules and standards for each type of entity to be

<sup>3</sup> Accreditation is the procedure by which an authorized agency formally recognizes that an entity or person is competent to perform specific tasks.

accredited.<sup>4</sup> these rules establish general requirements with respect to the operation of accreditation institutions, including their organizational structure, the internal quality system, the accreditation process (documentation of reports, audits, etc.) and the selection of evaluators (requisites, contractual modalities, records). Each accreditation institution must apply these guidelines so as to ensure uniform accreditation processes, facilitating mutual recognition agreements between institutions and lowering technical barriers to trade. OAA is now only partially in compliance with these requisites, owing to its brief history as an institution and its inadequate technical staffing. For these reasons, the OAA has not yet sought to enter into mutual recognition agreements with international accreditation organizations.

- 2.12 The country does not currently have an inter-laboratory testing program, and this represents a structural deficiency. Such programs are of fundamental importance to laboratory accreditation processes, providing the relevant criteria with which to evaluate a laboratory's performance. The program proposed here will help the OAA to organize inter-laboratory proficiency programs, providing training for the various participants in their management (technical institutes, private businesses, calibration laboratories, etc.), and enabling them to follow best international practices in doing so.
- 2.13 The many reasons underlying demand for OAA services, in terms of laboratory accreditation, can be divided into two large groups depending on whether they fall into the voluntary or regulated categories. In the first, the most frequent reasons for requesting accreditation are: (i) the need to stand out among the competition through service quality assurance by an independent third party; (ii) the requirement that services be accredited by an independent third party at the request of clients with quality systems certification (ISO9000/14000); (iii) it is common practice, in the marketing of import products, for the buyer to request tests performed at accredited laboratories; and (iv) accreditation by laboratories is an internationally developed practice as a means of demonstrating technical competence. In the regulated field, it is increasingly frequent for regulating agencies to require tests of products at accredited laboratories and product certification by accredited certification agencies (which also includes tests at accredited laboratories). The contractual regulations of regulatory agencies are found in: (i) Resolution 92/98 issued by the Secretaría de Industria y Comercio [Department of Industry and Commerce] (SIC) for the marketing of electrical appliances, ENRE (electricity), ENARGAS (gas), ETOS (water), etc., that establish requirements for tests in accredited laboratories for privatized utility companies; (ii) the Administración Nacional de Medicamentos, Alimentos, y Tecnología Médica [National Drug, Food, and Medical Technology Administration] (ANMAT), which has issued resolutions analogous to the SIC's, for electromedical equipment; and (iii) the

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<sup>4</sup> For more details, see the regulations in Appendix 2

Ministry of Health and prepaid health care organizations, which are studying the project to request accreditation of the services of clinical analysis laboratories.

### **3. The National Quality Award Foundation**

- 2.14 In addition to the agencies comprising the SNC, another important institution is involved in promoting best practices for quality assurance and improvement among Argentine businesses: the National Quality Award Foundation (FPNC).<sup>5</sup> The Foundation was created in 1993 by Law 24,127 establishing the National Quality Award.<sup>6</sup>
- 2.15 Given the importance of the SME sector in Argentina, this program would provide support to the Foundation in promoting and disseminating information on the advantages of quality enhancement and broadening the scope of this Award beyond the traditional recipients—large businesses in the federal capital—to include smaller businesses in the capital as well as the country's interior. The Foundation has already developed specific instruments for this purpose (a guide for the evaluation of quality management in SMEs) and training and dissemination programs to give SMEs greater access to the benefits of this program.
- 2.16 Demand for the program with the FNPC was verified through contacts with large and medium-sized enterprises (LMEs) that are interested in training their small interrelated enterprises. The LMEs met with the small enterprises to discuss the program and encourage participation therein. In four enterprises, the following results were achieved among enterprises that received information (awareness heightening) and decided to participate: (i) Refinería de Maíz (10 enterprises informed, three joined the program); (ii) Zucamor (22 informed, six joined); (iii) Firmenich (eight informed, two joined); and (iv) 3M (85 informed, 25 joined), for a total of 125 small enterprises informed, 36 joined.
- 2.17 An example of a program with interrelated enterprises is the training program developed for distributors by 3M and the FPNC. 3M Corporation uses this program to present a management model to its distributors, the "Program to Improve the Competitiveness of SMEs", encouraging them to request the training tax credits offered by the Department of Small and Medium-sized Enterprise. Distributors that request this tax credit are selected and visited by Foundation officials who help them to identify opportunities for improvement, select training activities, and above

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<sup>5</sup> Details on the characteristics of the award, the operation of the Foundation, the award process, participating companies, authorities, and the legislation establishing the award can be found in the final report "Assistance in preparing the MIF program on quality standards and certification (TC9812067-AR)". This document is available in the RE1/FI1 technical files.

<sup>6</sup> The Quality Award sets forth criteria for excellence that include clients, market, social responsiveness, managerial leadership, quality assurance, improvement, creativity, and innovation, process administration, staff development, relations with providers in the distribution chain, and outcome-based approach.

all, perform the various activities that will enable them to successfully make the necessary changes in their organizations.

### **III. THE PROGRAM**

3.1 **Objectives.** The general objective of the program is to improve the competitiveness of Argentine SMEs by promoting quality in their management, processes, and products. The program has two aims: (i) to strengthen the SNC by gaining international recognition for the OAA and promoting demand for accreditation services; and (ii) to improve quality among Argentine SMEs by promoting their adoption of the PNC quality management model. The program consists of two separate components, one to be implemented through the OAA and the other through the FPNC.

3.2 **Component A: Strengthening quality accreditation activities (US\$1,740,000)**

3.3 This component would support a series of activities to help the OAA operate in a manner consistent with internationally prevailing practices, bringing it into this framework by means of mutual recognition agreements; and to promote demand for the accreditation services necessary to help Argentine SMEs enter international markets.

#### **a. Support for OAA signature of international recognition agreements**

3.4 In order for the OAA to sign a mutual recognition agreement with its regional<sup>7</sup> and/or international<sup>8</sup> counterparts, it must demonstrate that it meets the requisites established in the ISO/IEC and contained in accreditation agency guides prepared by international accreditation forums. This will require the OAA to make a series of changes in its internal procedures, provide training for its personnel, establish a system of inter-laboratory proficiency tests, and undergo a peer evaluation.<sup>9</sup>

3.5 In this area, the program would provide support for the following activities: (i) hiring an international consultant to evaluate the current level of compliance with ISO/IEC standards, identifying strengths and weaknesses in the current system relative to current standards, and proposing appropriate corrective measures; (ii) training technical personnel selected within or outside the OAA; (iii) adapting the OAA's internal structure; (iv) providing training on inter-laboratory proficiency

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<sup>7</sup> Inter-American Accreditation Cooperation (IAAC)

<sup>8</sup> International Laboratory Accreditation Cooperation (ILAC) and the International Accreditation Forum (IAF).

<sup>9</sup> This evaluation of accreditation procedures is the mechanism generally used to measure the extent to which accreditation agencies meet current standards, which is used to evaluate the accreditation procedures used.

testing programs; (v) financing a “peer pre-evaluation” of the OAA by a team of evaluators; and (vi) supporting the final peer evaluation.

- 3.6 The OAA’s current structure needs to be strengthened to allow it to provide effective service given the increased activity expected to result from a constantly expanding clientele. Current staffing (weighted to account for part-time assignments) amounts to less than five full-time individuals, and only two full-time professionals. Using resources from the local counterpart, the program would help to expand the OAA’s current structure to include the following: (i) one operations manager; (ii) one coordinator for each area covered (testing laboratories, calibration laboratories, and product/system certification agencies); (iii) one internal quality control officer; and (iv) five staff persons (two interns and three secretarial/administrative staff). Total staff would then come to 10 persons full-time, five of whom would be technical professionals.
- 3.7 The aim of the inter-laboratory proficiency testing programs is to ensure access to, or availability of, international-level training on best international practices for the management of inter-laboratory proficiency programs by the various participants involved in their implementation. The program would provide financing for a consultant with recognized qualifications to transfer the working methodology for managing inter-laboratory proficiency testing and to support the design of a pilot project meeting the requisites established in the international standards (ISO/IEC 43).
- 3.8 To help the OAA pass the peer evaluation, the program will support a “pre-evaluation” exercise. Financing will be provided for an evaluation team to assess the extent to which the OAA meets the requirements set forth in the international standards and for signature of the international mutual recognition agreements.

**b. Support for the promotion of demand for accreditation services**

- 3.9 The aim of this activity is to promote and encourage demand for accreditation services in Argentina. This will entail two types of activity: (i) preparing a number of testing and calibration laboratories to qualify them technically for accreditation under standard ISO/IEC 17025, which is the current international standard for the accreditation of such institutions; and (ii) holding a series of informative seminars for SMEs to explain the commercial advantages, mainly in terms of foreign trade, of testing, calibrating, and certifying the products of accredited entities.
- 3.10 The indicator of successful execution of this component will be the ability of the beneficiary laboratories to obtain accreditation by the OAA, as well as an increasing awareness within the Argentine economy of the advantages of quality certified and accredited in accordance with international standards. The pressure created by about presence of a large number of accredited laboratories and



companies will generate demand for accreditation from other companies because of the resulting demonstration effect. Give in the importance on completing a significant number of accreditations during the program, the MIF will subsidize 52 percent of the consulting services for the testing and calibration laboratories.

- 3.11 With this objective fulfilled, the OAA's financial and operational self-sufficiency will also be ensured by the income to be realized through the accreditation process itself. This will serve to consolidate the institutional benefits to be derived from implementing this program and ensure its continuity into the future.

3.12 **Component B: promoting competitiveness through quality (US\$816,000)**

- 3.13 The objective of this component is to help SMEs in the Argentine provinces become more competitive by applying the self-evaluation and excellence management model based on the National Quality Award. To this end, the FPNC would create three virtual support centers in the interior of the country to assist local SMEs in implementing an appropriate quality management model. These centers would operate in large towns in the country's interior selected for their high concentration of business, regional influence, and capacity to sustain a center over time.

- 3.14 This component would finance the activities described below. The first three are designed to support extension of the FPNC to SMEs in the interior. The last three would provide direct support to the SMEs.

- 3.15 **Establishment of virtual PNC information centers.** The information centers will be established by forming a nucleus of institutions, enterprises, professionals, etc., interested in the PNC quality concept. The centers will operate in large towns in the interior of the country selected for their high concentration of business, regional influence, and capacity for sustaining the centers over time. The centers will operate in civil society institutions with the necessary facilities and equipment. The activities to be conducted in the centers are as follows: (i) awareness-heightening seminars; (ii) tutorials; (iii) assistance with presentation to the PNC; and (iv) facilitator training courses. The Foundation will lend its prestige, know-how, managerial capacity, central administration, professional trainers, tutors, and assistants, as well as materials for the seminars, courses, tutorials, certificate programs, and resources for promoting the program.

- 3.16 **Promotion and operation of the virtual center over the Internet.** The establishment of an Internet-based virtual center will permit interaction between the Foundation, the centers, and businesses, as well as between businesses. This activity includes the design, installation, and maintenance of the site, and general management of the virtual center. The Internet-based virtual centers will enable enterprises: (i) to download information produced by the Foundation; (ii) to learn about activities that are being conducted in the centers; and (iii) to consult on

specific issues related to quality and the PNC management model. To disseminate information about the project to SMEs in the interior of the country, a series of tasks are planned and will be fleshed out in detail once the agreements have been signed with the local institutions.

- 3.17 **Training of facilitators.** Each center will provide training for facilitators, who upon completion of the course will become active participants in the awareness-heightening, tutorial, and award presentation assistance activities. The duration of the training will be 24 hours, with up to 25 participants. The instructor will be provided by the Foundation. The content of these courses will cover, *inter alia*: the PNC program and model, evaluation of the various factors using case studies, the use of scoreboards, consensus building, and a guide for self-evaluation.
- 3.18 **Awareness heightening seminars.** The PNC model is based on concepts and values of business excellence. For smaller businesses, however, the link between greater attention to quality management and increased sales and earnings is not always evident, hence the need for an awareness-heightening exercise. The exercise will be conducted in virtual information centers and will entail the following subactivities: (a) inviting SMEs to participate; (b) holding a workshop seminar; (c) conducting surveys during the seminar; and (d) monitoring the businesses targeted for awareness heightening.
- 3.19 **Tutorials.** The centers will also offer tutorials to businesses to help them adopt the PNC model. Under this modality, a tutor is present in the enterprise to provide personalized training on self-evaluation techniques for quality management. Using this approach, with the tutors' assistance, the beneficiary enterprise will take measurement to compare its quality management methods with the PNC model, detecting strengths and weaknesses and developing plans for continuous improvement. The duration of each tutorial will be 96 hours over a minimum of eight months and a maximum of ten months.
- 3.20 **Assistance with the presentation to the PNC.** Upon completion of the tutorial, businesses can request assistance in preparing their presentation to the PNC. The task of preparing the presentation is one of the main obstacles to participation in the PNC. This service is designed to help businesses overcome that obstacle. Under this modality, a tutor will be present to provide assistance in preparing the presentation and to organize the work of compiling information, drafting, and revision.
- 3.21 The MIF will provide assistance for the training of facilitators, the awareness-heightening seminars, the tutorials, and the PNC presentation assistance. On average, 46% of the total cost of these activities will be subsidized.

#### IV. PROGRAM EXECUTION

- 4.1 **Executing agency.** The National Quality Award Foundation was established on 15 March 1993 in accordance with Law 24127. The Foundation's highest authority is the Assembly of its members, whose powers are delegated to a Board of Directors. The Board is composed of 10 Directors and two Alternate Directors. The Argentine Accreditation Bureau (OAA) was established in May 1995 as a civil law, nonprofit institution. Its Board of Directors is composed of 13 partners as well as a permanent representative of the Standardization Agency.
- 4.2 Each subprogram will be carried out independently. Under this system, two agreements will have to be signed: MIF-OAA and MIF-FNPC. Each subprogram will have a small executing and administration unit comprised of a coordinator, an accounting assistant, and a secretary. The coordinators of the FPNC and OAA components will report to a board of directors made up of one representative from the Board of Directors of the FPNC and one from that of the OAA. The Board of Directors will ensure that the components are carried out optimally and will maintain contact with the IDB-MIF as required for project execution. The terms of reference for the Board of Directors, the coordinators, and the execution flowchart can be found in the implementation manual (technical file 7).
- 4.3 **Beneficiaries.** The main beneficiaries of the program will be small and medium-sized enterprises, professionals and technical specialists, auditors, specialists responsible for implementing quality standards, quality certification firms, testing and calibration laboratories, and the SNC.
- 4.4 **Status of program preparation.** The program is now at an advanced stage of preparation. The draft Implementation Manual, containing the basic rules for program administration, has been jointly prepared by OAA and FPNC staff. This manual must enter into effect as a condition precedent to the first disbursement. In addition, the terms of reference for the consultants and external evaluators have already been prepared (see Annex 4).
- 4.5 **Execution progress report.** The executing unit of each subprogram will submit semiannual progress reports on program execution to the Bank. The reports will explain overall progress in executing the subprogram as well as, *inter alia*, progress relative to quality and achievement of targets (see Logical Framework); financial performance; and progress in the procurement of goods and consulting services.

#### V. PROGRAM COSTS AND FINANCING

- 5.1 The total cost of the program has been estimated at US\$3,200,000 equivalent: US\$1,637,000 to be provided by the MIF and US\$1,563,000 to be drawn from the local counterpart.

- 5.2 The cost of Component A (including support for the executing unit) has been estimated at US\$2 million equivalent: US\$1,024,000 of which will be provided by the MIF. The cost of Component B (including support for the executing unit) is US\$1.2 million, of which US\$613,000 will be provided by the MIF.
- 5.3 The MIF resources for Component A will be used primarily to promote demand for accreditation services and, to a lesser extent, to strengthen the OAA. The MIF resources for Component B will be used mainly to finance tutorials, with a small percentage going to seminars, PNC presentation assistance, facilitator training, and the dissemination of information on the project.

**Table V-1**  
**Budget and Financing Sources**  
**(in thousands of U.S. dollars)**

	MIF	Local Counterpart	Total
<b>1. Administration</b>	<b>180,000</b>	<b>380,000</b>	<b>560,000</b>
OAA executing unit	180,000	54,000	234,000
FNPC executing unit		326,000	326,000
<b>2. Component A: OAA</b>	<b>818,000</b>	<b>922,000</b>	<b>1,740,000</b>
Support for supply	282,000	381,000	663,000
Support for demand	536,000	541,000	1,077,000
<b>3. Component B: FNPC</b>	<b>573,000</b>	<b>243,000</b>	<b>816,000</b>
Seminars	10,000	45,000	55,000
Tutorials	433,000	112,000	545,000
PNC assistance	55,000	26,000	81,000
Facilitator training	15,000	0	15,000
Dissemination of project information	60,000	60,000	120,000
<b>4. Evaluation, audit, and contingencies</b>	<b>66,000</b>	<b>18,000</b>	<b>84,000</b>
<b>Total</b>	<b>1,637,000</b>	<b>1,563,000</b>	<b>3,200,000</b>
<b>%</b>	<b>51</b>	<b>49</b>	<b>100</b>

- 5.4 **Execution and disbursement periods.** The program will be executed over a period of 36 months, and resources from the contribution will be disbursed over a period of 42 months. Based on the amounts needed for program execution, two revolving funds equal to five percent of the total of each subprogram will be set up to provide timely access to funds for the various planned activities.
- 5.5 **Sustainability.** Component A includes an activity to support the promotion of demand for accreditation services. The aim of this activity is to ensure the OAA's financial and operational self-sufficiency with income derived exclusively from accreditation (see paragraph 3.10). Once the program has been completed, the activities for beneficiary laboratories and enterprises will produce a demonstration

effect that will trigger demand for accreditation of all the other entities. With program-generated resources, the laboratories will expand their activities, fostering greater supply of services and, consequently, stimulating demand for quality. Moreover, the fees to be covered by the enterprises for activities and events conducted by the FPNC will gradually increase over the life of the program. It is projected that by Year 3 of the program, 75% of the Foundation's fees will be covered by the enterprises.

5.6 **Accounting and auditing.** Through their executing units, the OAA and FPNC will keep separate and specific accounts for each component. To this end, each executing unit will assume the following responsibilities:

- a. Establish and maintain suitable accounting, financial, and internal control as well as file systems that make it possible to determine in detail the sources and use of project funds. Project records will contain: (i) determination of the amounts received from various sources; (ii) information on project expenses, distinguishing between MIF contributions and funds from other sources; and (iii) details needed to determine goods procured and services contracted.
- b. Open separate and specific accounts for administration of the MIF contribution and local counterpart funds. This will be a condition precedent to the first disbursement.
- c. Process requests for disbursement by the Bank.
- d. Prepare audited annual financial statements on the project and semiannual reports on the revolving fund and submit them to the Bank.

## VI. JUSTIFICATION, BENEFITS, AND RISKS

6.1 **Justification.** Over the past two decades, the more advanced countries have experienced a revolution in the area of quality as one of the fundamental factors in the generation of improved know-how and competitive advantage. Argentina, unfortunately, has been left behind in this area, and this affects the competitiveness of its productive system. The aim of this program is to help correct this deficiency and lay the groundwork for the continuous application of quality assurance and improvement practices by Argentine companies.

6.2 The proposed program is consistent with the general purposes of the MIF and with the Bank's strategies and priorities in the country. It also complements other programs, such as a business restructuring program and business development centers being deployed in the country with support from the Bank and the MIF.

6.3 **Benefits.** The main benefit of the program will be to boost the productivity of Argentine businesses and improve their competitiveness in international markets

through the continuous promotion of quality assurance and improvement practices. These benefits are particularly important for SMEs, which have fallen farthest behind in the area of quality.

- 6.4 **Risks.** If demand remains limited, the OAA will not be in a position to finance its activities properly. In the specific case of laboratories, there is a highly fragmented universe of small units, mostly SMEs, that face enormous difficulties in upgrading their facilities and practices so as to obtain accreditation from the OAA.<sup>10</sup> Although the number of agencies and laboratories that can be supported with program funds is limited, the program's impact on the rest of the market is expected to be substantial in terms of the demonstration effect and the increase in overall demand for accreditation that can be expected to result from the significant number of laboratories and businesses to be accredited under the program.

## VII. PROGRAM MONITORING AND EVALUATION

- 7.1 **Monitoring.** Annex I provides information on program execution, monitoring, and evaluation by means of a Logical Framework.
- 7.2 Through their executing units, the OAA and the FPNC will be responsible for monitoring and reporting. A progress report is to be prepared every six months, which will document the activities conducted during the period. In addition a work plan and disbursement schedule for the following period will be prepared. The progress report will be submitted for approval to the Bank's Country Office within 30 days of the end of the six-month period. The Country Office will use the reports to monitor program progress and will prepare a performance report within three months of the last disbursement
- 7.3 **Evaluation.** The program provides for two evaluations, performed by consultants selected and hired by the Bank. The first will be conducted 18 months after the first disbursement or when 50% of the MIF contribution has been committed, and will consider the following aspects: (i) the capacity demonstrated by the OAA and the Foundation in managing the program; (ii) startup of program activities; (iii) the need for new activities; (iv) the number and type of program beneficiaries; (v) the quality of the services offered; and (vi) the level of satisfaction of the users, assessed through interviews with 50% of the enterprises participating at that point.

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<sup>10</sup> There are no precise estimates, but the Chamber of Independent Food Control and Related Laboratories (CALIBA) estimates that approximately 200 independent laboratories conduct food, water, environmental and other quality tests for industry. Laboratories associated with academic institutions also indicate a growing interest in accreditation for their processes and tests. According to estimates by the Santa Fe University of Technology, there are approximately 150 university laboratories at least 10% of which are interested in, or require, accreditation to continue their activities.

- 7.4 The final evaluation will be performed within 90 days of the final disbursement and will consider: (i) the level of fulfillment of specific objectives; (ii) the number and type of beneficiaries; (iii) the quality of services offered; (iv) user satisfaction based on a survey of a statistically representative number of participating enterprises, selected randomly; and (v) program sustainability, once the MIF contribution has ended.

## **VIII. SPECIAL CONTRACTUAL CLAUSES**

- 8.1 The first disbursement will be subject to fulfillment of the following conditions to the Bank's satisfaction: (i) application of the Implementation Manual agreed upon with the Bank; (ii) preparation of terms of reference related to the hiring of the consultants and evaluators; and (iii) the hiring or appointment of the component coordinators.

## **IX. SOCIAL AND ENVIRONMENTAL ASPECTS**

- 9.1 **Environmental aspects of the program.** Considering that competitiveness is associated with the reduction of losses, this program will help to improve the physical and social environment. The physical environment will be improved through reduced pollution and better use of natural resources. The social environment will be improved in terms of worker hygiene and safety. The program will also enable SMEs to understand and implement environmental management systems and to obtain certification under such international systems as the ISO. No adverse environmental impact is expected to result from program execution.

**LOGICAL FRAMEWORK**  
**Quality Standards and Certification Program**  
**(TC-98-12-06-7-AR)**

	<b>Indicators</b>	<b>Means of verification</b>	<b>Assumptions</b>
competitiveness of Argentine medium-sized enterprises promoting quality in their processes, and products	SMEs become more competitive	National industry statistics	Macroeconomic conditions remain stable for the industrial sector, for SMEs
Factors that promote best practice practices and improve Argentine enterprises	Number of laboratories and enterprises that, as a result of the project, have knowledge of and use the services of the factors that promote improvement in quality practices		
ITS in the Argentine Accreditation Bureau (OAA) and demand for accreditation	The OAA passes the peer evaluation and signs an international mutual recognition agreement  The number of OAA-accredited laboratories increases The number of OAA-certified enterprises increases	Program's final evaluation report  OAA files	The OAA adopts the recommendations contained in the peer evaluation
Improvement in quality in SMEs through their use of the National Quality Management model	30% of the participating SMEs adopt the quality management model  SME participation in the presentation of the National Quality Award increases	Program's final evaluation report  FNPC files	Large enterprises and other institutions involved maintain their interest in disseminating and promoting



	Indicators	Means of verification	Assumptions
<p>of the current level of compliance with ISO/IEC standards and TR 17010.</p> <p>of corrective</p>	<p><b>A.1</b> International consultant evaluations. At the end of the program, US\$80,000 invested</p>	<p>Semiannual progress reports on the program</p>	
<p>resources training</p>	<p><b>A.2.1</b> Visits scheduled for OAA professionals and external evaluators carried out</p> <p><b>A.2.2</b> Training seminars completed. At the end of the program, US\$165,000 invested</p>		
<p>of the OAA's internal</p>	<p><b>A.3</b> New structure of five professionals and five support staff in operation. At the end of the program, US\$300,000 invested</p>		
<p>on inter-laboratory proficiency testing programs</p>	<p><b>A.4.1</b> List of those eligible for inter-laboratory programs</p> <p><b>A.4.2</b> Training and development seminar carried out</p> <p><b>A.4.3</b> Pilot project designed. At the end of the program, US\$100,000 invested</p>		
<p>evaluation</p>	<p><b>A.5</b> Consultant's evaluation report. At the end of the program, US\$58,000 invested</p>		
<p>uation</p>	<p><b>A.6</b> Request for implementation of peer evaluation submitted. At the end of the program, US\$40,000 invested</p>		
<p>g services for testing and in laboratories</p>	<p><b>A.7</b> At year 3: 20 laboratories accredited. At the end of the program, US\$1,027,000 invested</p>		
<p>related to secondary demand identification services</p>	<p><b>A.8</b> 15 seminars conducted. At the end of the program, US\$50,000 invested</p>		

	Indicators	Means of verification	Assumptions
ment of virtual PNC on centers	<b>B.1</b> Startup of virtual centers in Santa Fe, Córdoba, and Mendoza	Semiannual progress reports on the program Agreements signed with business centers in Santa Fe, Córdoba, and Mendoza	
ation of the project and ment of Internet-based nters	<b>B.2.1</b> Dissemination tasks performed  <b>B.2.2</b> Internet site running At the end of the program, US\$130,000 invested		
r training	<b>B.3</b> Approximately 225 facilitators trained. At the end of the program, US\$45,100 invested		
s seminars	<b>B.4</b> Approximately 1,000 firms participated. At the end of the program, US\$56,800 invested		
	<b>B.5</b> Approximately 100 tutorials. At the end of the program, US\$706,000 invested		
e for presentation to the	<b>B.6</b> Approximately 30 enterprises received assistance. At the end of the program, US\$94,100 invested		
agement Activities and contracting of ts who will comprise the s execution team, and g of their activity activities (program ent, financial administration, ) for program execution offices, communications, ons, office supplies, ying, printed matter, security ing services, etc)	<b>1, 2, and 3</b> From Component A (OAA): US\$228,000  From Component B (FNPC): US\$414,000  At the end of the program, US\$702,000 invested	Semiannual progress reports on the program	

## PROPOSED RESOLUTION

### ARGENTINA. TECHNICAL COOPERATION PROGRAM FOR A QUALITY STANDARDS AND CERTIFICATION PROGRAM

The Donors Committee of the Multilateral Investment Fund

#### RESOLVES:

1. That the President of the Inter-American Development Bank, or such representative as he shall designate, is authorized, on behalf of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Organismo Argentino de Acreditación and the Fundación Premio Nacional de Calidad and to adopt such other measures as may be pertinent for the execution of the plan of operations incorporated in the donors memorandum referred to in Document MIF/AT-\_\_\_\_ with respect to a technical cooperation, for a Quality Standards and Certification Program.
2. That up to the amount of one million six hundred thirty seven thousand dollars (US\$1,637,000) is authorized for the purpose of this resolution, chargeable to the Human Resources Facility of the Multilateral Investment Fund.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.