

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

## **ARGENTINA**

# **PROGRAM TO SUPPORT THE TECHNOLOGICAL DEVELOPMENT OF MENDOZA**

**(AR-L1157)**

## **LOAN PROPOSAL**

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ELECTRONIC LINKS	
<b>REQUIRED</b>	
1.	Activity plan for the first disbursement and implementation <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37898929">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37898929</a>
2.	Monitoring and evaluation plan <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37903187">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37903187</a>
3.	Program procurement plan <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37898933">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37898933</a>
4.	Environmental and Social Management Report <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37898951">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37898951</a>
<b>OPTIONAL</b>	
1.	Program Operating Regulations, first draft <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37902880">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37902880</a>
2.	Itemized Budget <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37898970">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37898970</a>
3.	Economic analysis of the program <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37898972">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37898972</a>
4.	Institutional analysis <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37898978">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37898978</a>
5.	Institutional Capacity Assessment System (ICAS) analysis <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37898979">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37898979</a>
6.	Mendoza Logistics Center of MERCOSUR <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37902914">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37902914</a>
7.	Prefeasibility study of the new primary customs zone <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37930062">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37930062</a>
8.	Prefeasibility study of the Knowledge Hub <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37902976">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37902976</a>
9.	Technology parks: International experience and lessons learned <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37905538">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37905538</a>
10.	Technical note on competitiveness and innovation <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37886269">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37886269</a>
11.	Integrated Information Management System <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37903063">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37903063</a>

12. Diagnostic assessment and proposal for the strengthening of the Investment Promotion Agency (API) and ProMendoza  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37903158>
13. Potential demand at the Biotechnology and Renewable Energy Park  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37903462>
14. Characterization and diagnostic assessment of traditional sectors  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37903518>
15. Lessons learned in the Program for Productive-sector Development and Competitiveness in the Province of Mendoza (AR-L1003)  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37939313>
16. Detailed design, Ruta Provincial 82 (RPN82)  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37939601>
17. Provincial Competitiveness Index 2012: Outcomes and methodology  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37942646>
18. Safeguard Policy Filter (SPF) and Safeguard Screening Form (SSF)  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37899469>

## ABBREVIATIONS

API	Agencia de Promoción de Inversiones [Investment Promotion Agency]
CQS	Selection based on the Consultants' Qualifications
FDI	Foreign direct investment
ICAS	Institutional Capacity Assessment System
ICB	International competitive bidding
ICTs	Information and communication technologies
IDITS	Instituto de Desarrollo Industrial Tecnológico y de Servicios [Industrial, Technological and Service Development Institute]
INDEC	Instituto Nacional de Estadísticas y Censos [National Statistics and Census Bureau]
MAT	Ministry of Agroindustry and Technology
MINCYT	Ministry of Science, Technology, and Productive Innovation
NCB	National competitive bidding
NCM	Common Tariff Nomenclature (MERCOSUR)
PBYER	Parque de Biotecnología y Energías Renovables [Biotechnology and Renewable Energies Park]
PEU	Program executing unit
QCBS	Quality- and Cost-Based Selection
RMM	Risk Mitigation Matrix
RN	Ruta Nacional [National Route]
RPN	Ruta Provincial [Provincial Route]
UNC	Universidad Nacional de Cuyo
VOCs	Vehicle operating costs
ZPA	Primary customs zone

## PROJECT SUMMARY

### ARGENTINA

### PROGRAM TO SUPPORT THE TECHNOLOGICAL DEVELOPMENT OF MENDOZA (AR-L1157)

Financial Terms and Conditions					
<b>Borrower:</b> Province of Mendoza <b>Guarantor:</b> Argentine Republic <b>Executing agency:</b> Ministry of Agroindustry and Technology (MAT) of the Province of Mendoza			<b>Flexible financing facility*</b>		
			<b>Amortization period:</b>		25 years
			<b>Original weighted average life</b>		15.25 years
			<b>Disbursement period:</b>		5 years
			<b>Grace period:</b>		5.5 years
<b>Source</b>	<b>Amount</b>	<b>%</b>	<b>Inspection and supervision fee:</b>	**	
<b>IDB (Ordinary Capital)</b>	US\$50 million	63.29	<b>Interest rate:</b>	LIBOR	
<b>Local</b>	US\$29 million	36.71	<b>Credit fee:</b>	**	
<b>Total</b>	US\$79 million	100	<b>Currency:</b>	U.S. dollars from the Banks's Ordinary Capital	
Project at a Glance					
<b>Program objective/description:</b> The objective of the program is to contribute to raising Mendoza's economic competitiveness. The specific objectives are to: (i) improve the quality and lower the costs of logistics services; (ii) promote the incorporation of innovation and technology in the productive sector; and (iii) improve the quality and broaden the scope of trade promotion efforts.					
<b>Special contractual conditions precedent to the first disbursement:</b> The borrower, through the executing agency, will submit evidence of: (i) the establishment of the program executing unit (PEU) at the executing agency's Undersecretariat of Industry and Technology, and the staffing of that unit with the specialized personnel agreed upon in advance with the Bank; and (ii) the entry into force of the program's Operating Regulations, which will include a description of the functional coordination between the executing agency's PEU and the International Financing Unit of the borrower's Ministry of Finance, in accordance with terms agreed upon in advance with the Bank. See paragraph 2.2.					
<b>Special execution conditions:</b> (i) before starting execution of component 1, "Support for logistics development," the borrower, through the executing agency, will submit evidence that cooperation and technical-support agreements have been signed by the executing agency and the Ministry of Infrastructure and Energy and by the executing agency and the Instituto de Desarrollo Industrial Tecnológico y de Servicios [Industrial, Technological and Service Development Institute] (IDITS); (ii) before starting execution of component 2, "Support for technological development," the borrower, through the executing agency, will submit evidence of the document establishing the consortium by the borrower and the Universidad Nacional de Cuyo for the creation of the Biotechnology and Renewable Energy Park and of the signing of the cooperation and technical support agreement by the executing agency and IDITS; and (iii) before starting execution of component 3, "Support for internationalization," the borrower, through the executing agency, will submit evidence that the annual management agreement has been signed with Fundación ProMendoza and the Investment Promotion Agency. See paragraph 2.3.					
<b>Exceptions to Bank policies:</b> None					
<b>Project qualifies as:</b>		SEQ [    ]	PTI [    ]	Sector [    ]	Geographic [    ]      Headcount [    ]

\* Under the Flexible Financing Facility (document FN 655 1), the borrower has the option of requesting changes to the amortization plan, and currency and interest rate conversions, subject in all cases to the date of final amortization and the original average weighted life. When considering such requests, the Bank will take account of market conditions, operational aspects, and risk management.

\*\* The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provisions.

## I. DESCRIPTION AND RESULTS MONITORING

### A. Background and challenges

- 1.1 The province of Mendoza is located in the central western portion of the Argentine Republic covering an area of 148,827 km<sup>2</sup> (5.4% of the national territory). It has the fifth-largest gross domestic product (3.93% of national GDP in 2005) and population (5.4% of total population in 2010), after the city of Buenos Aires and the provinces of Buenos Aires, Córdoba, and Santa Fe.<sup>1</sup> Mendoza has gained international recognition for the development of grape and wine production, tourism, and oil-and-gas production, which in turn have spurred the growth of related local services and industries.
- 1.2 Mendoza has experienced significant development in recent decades, emerging as one of the Argentine provinces to have succeeded in achieving relatively sustained progress. Nonetheless, it has lagged behind in competitiveness and growth, especially in comparison with districts in the center of the country (the city of Buenos Aires and the provinces of Buenos Aires, Córdoba, and Santa Fe). According to the most recent provincial competitiveness report prepared by the Córdoba Chamber of Commerce, Mendoza ranks twelfth in competitiveness among Argentine provinces; indeed, its ranking has declined since 2010. Mendoza's economy has grown at a slower rate than the country overall in recent years. Whereas between 2003 and 2007, the province grew at an average yearly rate of 12.2%—above the 8.8% rate for the country as a whole—starting in 2008 its average growth rate fell to 3.23%, below the 5.1% national average.<sup>2</sup>
- 1.3 To narrow the gaps between Mendoza and the central districts, this operation has been designed on the basis of an integrated approach that aims both to boost traditional production sectors (agroindustry and tourism) and to spur emerging sectors such as biotechnology, renewable energy, and information and communication technologies (ICTs). In particular, a series of complementary actions will be carried out through the program to address priority bottlenecks and improve conditions for enhancing competitiveness in logistics, technological development, and trade promotion. These actions should, in turn, make it possible to capitalize on the knowledge and progress made through the Program for Productive-sector Development and Competitiveness in the Province of Mendoza (operation AR-L1003) (see paragraph 1.10). The proposed actions are based on a diagnostic assessment of the central challenges faced by the province, which is discussed below.

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<sup>1</sup> According to the most recent figures from the Instituto Nacional de Estadísticas y Censos [National Statistics and Census Bureau] (INDEC), the province of Buenos Aires accounts for 31.7% of GDP and 38.9% of the population; the city of Buenos Aires, 20.54% and 7.2%; Córdoba, 7.58% and 8.2%; and Santa Fe, 7.63% and 8.0%.

<sup>2</sup> Based on a projected 2013 growth rate of 3.6% for Mendoza and 2.8% nationally.

- 1.4 **Logistics.** The logistics infrastructure of the province of Mendoza is beset by series of weaknesses<sup>3</sup> which hinder the development of tourism and international trade. The potential of one of the main tourism assets in the province, the area near Dique Potrerillos, cannot be fully realized because the last phase of the construction of Ruta Provincial 82 [Provincial Route] (RPN82), which was begun under program AR-L1003, remains unfinished.<sup>4</sup> This has left the towns of Cacheuta and Potrerillos, which serve as the hub of tourism activity in the region, inaccessible. Currently the only road in use to Dique Potrerillos and adjoining areas from the city of Mendoza is Ruta Nacional 7 [National Route] (RN7), which is part of the interoceanic corridor to Chile. This is also the only road available for 80% of the traffic to that country, with an average of 600 trucks per day.<sup>5</sup> This causes difficulties, as a result of the road being shared by light vehicles and cargo vehicles. In addition to hampering tourism, the failure to conclude RPN82 as originally planned, due to the interruption of work when the Potrerillos reservoir overflowed, has also affected residents of the administrative center Potrerillos, who now must travel longer distances to have access to various basic services.
- 1.5 In addition, the province is unable to make the most of its privileged location to access markets on the Pacific coast due to an insufficient capacity to provide support for overland foreign trade.<sup>6</sup> Due to the province's key role in exports and imports with Chile, the primary customs zone (ZPA) currently in operation in Godoy Cruz is a key element for provincial logistics. However, the ZPA is located in a residential area of the city and has the following drawbacks: (i) the access roads to the ZPA are not wide enough or in suitable condition for the intense traffic entering and exiting the zone; (ii) the ZPA has very limited physical space for growth, restricting the number of goods that it may process (currently only 56 chapters of the 84 included in the MERCOSUR tariff nomenclature are processed there); and (iii) the trucks that enter and exit the zone generate considerable urban congestion and saturate the peripheral roadways. In addition, the ZPA's facilities are obsolete (more than 30 years old), causing problems in terms of security and quality of service (for example, costs stemming from truck wait times are 50% higher than those of a technologically advanced ZPA) ([optional link 6](#) and [optional link 7](#)).

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<sup>3</sup> These weaknesses are reflected, for example, in logistics operations costs in the province. Between June 2011 and June 2013, costs of long-distance freight services in Mendoza rose 68%, compared to a 62% increase nationwide (Instituto C3T, Universidad Tecnológica Nacional).

<sup>4</sup> Under program AR-L1003, RPN82 was to be rebuilt, in three segments, to reconnect two localities that had been cut off when the dike overflowed, washing away the original path of the road. Two of the three segments were built and financed under that program. The remaining segment was not concluded because of problems with the original design studies, which have now been resolved.

<sup>5</sup> See map at [IDBdocs37803660](#).

<sup>6</sup> Mendoza's location at one of the main hubs of South America's highway system has created a special situation in terms of activities related to the export and import of goods with Argentina.



**1.6 Technological capacities.** Mendoza's production system is based on the development of its natural resources, mainly irrigation-intensive agriculture and oil and gas.<sup>7</sup> Although the province has succeeded in developing some additional links in these chains, there remain important opportunities for applying technological innovation to add more local value to these activities. However, it has not been possible to take advantage of these opportunities because of various weaknesses in the province's innovation system. First, public investment in scientific and technological activities is relatively low. According to INDEC data, Mendoza's share of national investment in science and technology activities is only 4.3% and the province accounts for only 4.2% of all science and technology workers. Both indicators are below the province's share of the national population (5.4%) and below the figures for the districts in the central part of the country.<sup>8</sup> Second, although Mendoza has considerable capacity to generate scientific and technological knowledge, science and technology institutions<sup>9</sup> lack resources and a strong focus on human resource training and scientific research. Consequently, they have not yet consolidated a capacity for technology transfer to and cooperation with companies in order to promote innovation and entrepreneurship. As a result, the link between the supply of and the demand for expertise is relatively weak. Universidad Nacional de Cuyo (UNC), for example, has an enterprise outreach and incubation program, but serious infrastructure limitations prevent it from ensuring that the incubated projects with the greatest commercial potential are viable.<sup>10</sup> The Instituto de Desarrollo Industrial Tecnológico y de Servicios [Industrial, Technological and Service Development Institute] (IDITS) recently opened the Mendoza ICT Technological Park,<sup>11</sup> which is expected to house ICT-sector enterprises and universities. Such venues for collaboration reduce infrastructure deficits and the geographic dispersion of science and technology institutions, facilitating access to scientific and technological resources and national production-development programs. Making progress in consolidating these spaces, as occurred in the most advanced regions of developed countries, is key for promoting greater

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<sup>7</sup> According to data from the Observatory of Employment and Business Dynamics, Mendoza has 25,000 enterprises, which employ more than 250,000 workers. Agriculture, industry, and oil account for 33% of employment.

<sup>8</sup> In 2010, according to INDEC, the province of Buenos Aires accounted for 34% of national investment in science and technology activities and 32% of employment in that field; the city of Buenos Aires, for 22% and 23%; Córdoba, for 9% and 9%; and Santa Fe, for 8% and 8%.

<sup>9</sup> Universidad Nacional del Cuyo, Instituto Nacional de Tecnología Agropecuaria, Instituto Nacional de Tecnología Industrial, IDITS, Instituto de Desarrollo Rural, and Instituto de Desarrollo Comercial.

<sup>10</sup> The UNC's liaison and incubation area has a portfolio of 21 high-potential projects/ventures in such areas as developing yeast for grape and wine production, microbiology services for wineries, olive-variety identification based on molecular markers, solar water heaters, and photovoltaic panels ([optional link 13](#)).

<sup>11</sup> IDITS is a not-for-profit organization created in 2002 to help formulate industrial policy, devise alternative solutions to problems in the industrial and services sector, and identify opportunities for its members. It is managed by a commission made up of representatives of the provincial government, academia, and the private sector. For more information on IDITS and the ICT Park see: [www.idits.org.ar/Nuevo/Notas/N\\_1112\\_PoloTICPostActo.html](http://www.idits.org.ar/Nuevo/Notas/N_1112_PoloTICPostActo.html).

investment in science and technology, enhancing the transfer of technology, and supporting the emergence of knowledge-intensive enterprises. These enterprises should in turn serve to spur the more traditional branches of the economy of Mendoza ([optional link 9](#)).

- 1.7 The weaknesses mentioned with regard to the province's innovation system, including insufficient investment in science and technology and the lack of linkages between research centers and companies, undermine the development not only of advanced sectors, such as renewable energy and ICTs, but also of traditional sectors, such as pome fruits (apples and pears), plums, and must grapes. These operations are carried out on more than 200,000 hectares in the province and involve thousands of producers, most of them of small-scale producers with serious competitiveness problems owing to insufficient market access and innovation and limited association-building and access to financing ([optional link 14](#)). Lastly, another weakness of the province's innovation system is that much of the information used to design, manage, and evaluate production-development and innovation policies is fragmented among different information systems of the Ministry of Agroindustry and Technology (MAT), which lacks the technical resources to produce integrated, reliable information in a timely manner. The ministry is thus required to work manually to solve tasks related to data mining, integration, and processing, with the consequent risk of error that this entails ([optional link 11](#)).
- 1.8 **Trade promotion.** Mendoza's lack of economic competitiveness is also reflected in its degree of internationalization. As a share of total provincial output, exports are lower than those of the central provinces (2.4% versus 36.4% for Buenos Aires, 13.6% for Córdoba, and 23% for Santa Fe) and they are less diversified in terms of products and markets. Whereas Buenos Aires exports more than 5,000 different products, and the other central districts export between 1,500 and 2,000, Mendoza exports fewer than 1,000.<sup>12</sup> Grapes and wines (packaged or bottled musts, juices, and wines) account for 48.2% of the province's exports, 44% of which go to the MERCOSUR countries and Chile. Asian markets still represent a small fraction of exports from the province, with high potential for expansion. Foreign direct investment is highly concentrated in the more traditional sectors of the province's economy, and the range of production options has not been competitively exploited. This situation results in part from the province's low promotion capacity. Two agencies focus on promoting exports and investment (ProMendoza and the recently created Agencia de Promoción de Inversiones [Investment Promotion Agency] (API)). However, both agencies have weaknesses preventing them from helping local enterprises begin exporting or increase their exports and from facilitating the entry of foreign investment needed to trigger innovation and technological improvement processes in the local production structure. The most

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<sup>12</sup> "Estrategia de Desarrollo de la Competitividad del Sector Privado en Argentina," Lucio Castro, 2012, document prepared as the basis of the Sector Note on Competitiveness and Innovation used for the country strategy.

noteworthy of these weaknesses include the lack of a proactive, coordinated export and investment promotion strategy, the lack of modern management systems, the limited scale of promotion actions, and the need to optimize their tracking, monitoring, and evaluation capacities ([optional link 12](#)).

## **B. Rationale**

- 1.9 **Program strategy.** This program includes a series of interventions to address priority bottlenecks and create better conditions for private-sector development in the province of Mendoza, including traditional productive sectors (agroindustry and tourism) and emerging sectors (such as biotechnology, renewable energy, and ICTs). The proposed actions have been designed to complement one another and in this manner help improve systemic conditions for innovation and competitiveness in the province. The design of the actions also considered lessons learned and prior experiences of the Bank in different areas: transportation and logistics, technology and innovation, and trade and integration.<sup>13</sup> Lastly, the program strategy also seeks to maximize the complementarity of provincial and national interventions. By way of example, the interventions set forth in the program component two will be complemented with national programs to support productive development and innovation executed by the Ministry of Science, Technology, and Productive Innovation (MINCYT) and the Ministry of Industry.<sup>14</sup>
- 1.10 **Participation of the Bank.** This program will utilize the lessons learned and complement the activities initiated through the Program for Productive-sector Development and Competitiveness in the Province of Mendoza (AR-L1003), approved for US\$70 million in July 2005, the execution of which will conclude in late 2013 ([optional link 15](#)). The latter program financed infrastructure works to promote productive development in the province and financial and business development services to strengthen nine clusters linked to agroindustry, oil, and tourism. The main lessons learned were as follows: (i) the failure to prepare design and costing documents related to the works during the design phase may delay implementation; (ii) in supporting clusters it is essential to receive advice from experts with knowledge and experience in international markets; and (iii) the PEU

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<sup>13</sup> The following lessons learned were taken into account in the design of the program: (i) having engineering and detailed cost studies is key for avoiding delays in works bidding processes; and (ii) technological progress and the development of new expertise are closely linked to the territory and to the concept of local economic development. Along this line, promoting technology parks within a framework of geographic proximity of stakeholders and in which, *inter alia*, certain resources and contributions are shared, public-private-academic collaboration is encouraged, and the exchanging of formal and tacit expertise is facilitated has proven to be a successful public policy in various regions of the world (Capello and Morrison, 2005; Llisterri et al., 2011; Rodríguez-Pose 2012, [optional link 10](#)); and (iii) trade promotion actions are more effective when they are posited in an integrated manner (export and investment promotion) related to the local technological development strategy. The same is true of export promotion actions with a presence in the markets (Volpe Martincus, 2011)

<sup>14</sup> For example, Technological Innovation Programs I, II and II (AR-L1073, AR-L1111, and AR-L1141), executed by MINCYT, and the MSME Competitiveness Support Program (AR-L1145) of the Ministry of Industry.

should have a suitable hierarchy to facilitate interministerial coordination. The following actions included in this operation will complement AR-L1003: (i) the completion of RPN82 (see paragraph 1.54), the first segments of which were financed under the previous program, which is essential for continuing to strengthen logistics and tourism in the province; (ii) the new primary customs zone (see paragraph 1.5), located on Provincial Route 84 (RPN84), financed by the previous operation and the design of which took account of the traffic that will be generated by the new undertaking; and (iii) the creation of the Biotechnology and Renewable Energy Park and the local competitiveness strengthening initiatives, which will continue to strengthen the agroindustry clusters.

- 1.11 **Strategic alignment.** The operation is aligned with the Country Strategy with Argentina 2012-2015 (document GN-2687), one of the priority areas of which is private sector development. In particular, the program is expected to promote the development and internationalization of different private sector segments including tourism, agroindustry, logistics, and knowledge- and technology-intensive ventures and enterprises. In addition, the road and the ZPA envisioned in the first component are expected to promote regional integration. The project is included in the Bank's 2014 Operational Program Report (in review). Lastly, the program will contribute to the attainment of the strategic objectives set forth in the Report on the Ninth General Increase in the Resources of the Inter-American Development Bank (document AB-2764), in particular: (i) support for competitive regional and global integration; and (ii) support for competitiveness and social welfare through the creation of productive infrastructure linked to transportation and logistics.

**C. Objective, components, and costs of the program**

- 1.12 The objective of the program is to contribute to raising Mendoza's economic competitiveness. The specific objectives are to: (i) improve the quality and lower the costs of logistics services; (ii) promote the incorporation of innovation and technology in the productive sector; and (iii) improve the quality and broaden the scope of trade promotion efforts.
- 1.13 **Component 1. Support for logistics development.** The objective of the component is to improve the quality and lower the costs of logistics services in order to promote production, tourism, and trade. It includes the following subcomponents:
- 1.14 **Subcomponent 1.1. Completion of RPN82.** The completion of the construction of Section I of RPN82, comprising the Dique Potrerillos perimeter road, will be financed in order to complete the RPN82 tourism circuit and the normal connection between Cacheuta and Potrerillos. This road is being built on the northeast slope of Cerro Potrerillos. It will include two steep, winding sections to bridge the elevation difference between the base of the dam to the reservoir, which is bordered by the perimeter road and the reconstructed stretch of RPN82. The rest of the elevation gap will be bridged with the construction of a lined tunnel approximately 375 meters long, along with covered storage areas. Including the tunnel, the section

where the intervention will be carried out is approximately 2,315 meters long. The technical details of the works are provided in [optional link 16](#). The completion of the project for the new stretch of RPN82 will significantly shorten travel distances to the administrative center of Potrerillos, where various basic services are available to local residents. This will also be the safest way to reach the reservoir by light vehicle for tourism purposes. These benefits are quantified in the economic analysis of RPN82 ([optional link 3](#)).

- 1.15 **Subcomponent 1.2. New primary customs zone.** Financing will be provided for the final design, construction, and outfitting of a new ZPA. This will make it possible to improve the quality of logistics services and attend to expected growth in international trade as well as diminish the adverse environmental impact of the current ZPA on the residential area of Godoy Cruz. The new ZPA will be located in an industrial and logistics area of the department of Luján de Cuyo,<sup>15</sup> 30 km from the city of Mendoza on RPN84, with direct access to RN7. The latter provides access to Chile, whose ports are a gateway to all of Southeast Asia. The site of the new ZPA is a 100-ha piece of land owned by the provincial government, which in the future will also house the Mendoza West Logistics Activities Zone.<sup>16</sup> The aim of both initiatives is to encourage the clustering of companies and specific logistics activities in the area and to prevent large trucks from entering the urban area (as well as to free up land for the establishment of the Knowledge Hub). The design of the new ZPA ([optional link 7](#)) will initially allow processing of 250 trucks per day, and a possible expansion of the works could raise its capacity to 500 trucks per day. The new ZPA will include facilities for the General Customs Bureau of the Federal Public Revenue Administration, the National Agrifood Health Service and the National Institute of Viticulture. In addition, the new ZPA will reduce import-operation processing times by about 50% and increase the number of products processed. The ZPA will continue to be managed and administrated by the IDITS, a public-private agency with proven experience in administrating general warehouses and fiscal yards and strong ties with all stakeholders involved (customs authorities, customs brokers, carriers, and importers and exporters).
- 1.16 **Component 2. Support for technological development.** The objective of this component is to promote innovation and the incorporation of technology in the productive sector. It will support the creation of two complementary technology parks (one with a focus on biotechnology and renewable energy ventures and the other with a focus on more consolidated enterprises, mainly in the ICT sector), the improvement of the management systems of the MAT, and specific actions to enhance the competitiveness of traditional production systems. It includes the following subcomponents:
- 1.17 **Subcomponent 2.1. Biotechnology and Renewable Energy Park (PBYER).** This subcomponent will finance consulting services and goods and works to create and

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<sup>15</sup> See [map](#).

<sup>16</sup> [Optional link 6](#) contains additional information on the Mendoza West Logistics Activities Zone.

implement a technology park on a four-hectare piece of property owned by the UNC. The park will aim to encourage collaboration among the enterprises that set up operations in it, and between them and researchers from the UNC and technological institutions working in the province, on topics such as knowledge creation, technological development, and marketing new products and technologies. It will offer the enterprises office and laboratory space, land on which to build additional facilities, and specialized services. By the end of the program, the park is expected to house 11 young companies engaged in biotechnology and renewable-energy activities, some of which are expected to have originated in the UNC's incubator.<sup>17</sup> Governance of the park will be the responsibility of a council of representatives appointed by the UNC and the Mendoza provincial government. It will be managed by a group of professionals selected by the council, and its work will be guided by a business plan to be approved by the aforementioned council. The plan will ensure the park's sustainability through the rent and services fees charged to the resident enterprises and members' contributions ([optional link 13](#)).

- 1.18 **Subcomponent 2.2. Knowledge Hub.** This subcomponent will finance consulting services and goods and works to create and implement the Knowledge Hub so as to establish a virtuous circle of interaction favoring technology transfer and technological cooperation among innovative enterprises, research institutions, and agencies that support productive development.<sup>18</sup> The Knowledge Hub will be built on a 12-ha piece of land where the ZPA is currently located (see paragraph 1.5 and paragraph 1.19) in the city of Godoy Cruz. It will integrate and provide continuity to the Mendoza ICT Technology Park, which is now located on an adjacent four-hectare piece of land. Lessons learned from the technology park have been taken into account for this expansion. The hub will make offices available to public and public-private agencies from Mendoza engaged in business development along with facilities for university technology centers, and land on which to set up technology-based companies. By the end of the program, five agencies and 20 enterprises are expected to have set up operations in the hub.<sup>19</sup> The hub's administration will be the responsibility of IDITS, which already manages the Mendoza ICT Technology Park. IDITS has drawn up a business plan that envisions

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<sup>17</sup> Enterprises and ventures will be selected according to criteria set forth in the program Operating Regulations, including: growth potential, innovation capacity, and ties with agroindustry in Mendoza.

<sup>18</sup> The creation of PBYER and the Knowledge Hub is expected to improve the conditions for supporting the processes by which knowledge-intensive enterprises in Mendoza are established and consolidated. PBYER will specialize in supporting entrepreneurs and new enterprises and will have its own laboratory infrastructure. The Knowledge Hub will, by contrast, serve enterprises in the process of consolidation that require land on which to build new productive plants. The Hub will also house agencies that support the productive sector. The presence of the MAT on the boards of directors of both entities will ensure that their strategies are consistent.

<sup>19</sup> Entities and enterprises will be selected according to criteria agreed upon with the Bank with a view to maximizing synergies among all stakeholders. In the case of enterprises, bidding processes will be held to sell the plots of land, and the awarded enterprises will be subject to a set of procedural rules to ensure that their activities conform to the park's core objectives.



the hub's sustainability based on selling land, renting offices, collecting fees, and charging for services ([optional link 8](#)).

- 1.19 **Subcomponent 2.3. Enhancement of management information systems.** This subcomponent will finance consulting and equipment-procurement services for the development of an integrated management system for the MAT, with the following aims: (i) generating timely, quality information in order to design, manage, and evaluate productive-development and innovation policies; (ii) supporting the efficient management of programs and tools to support the productive sector; (iii) providing content, the handling of administrative procedures, and services to companies and individuals over the Internet; and (iv) improving staff performance at the ministry. Specifically, the subcomponent will finance the following activities: (i) designing, developing, and implementing an integrated management system; (ii) modernizing the IT platform (hardware); and (iii) strengthening the IT function at the ministry.
- 1.20 **Subcomponent 2.4. Local competitiveness-enhancement initiatives.** This subcomponent will finance activities and projects to enhance the competitiveness of sectors that produce pome fruits (pears and apples), plums, and must grapes. These activities and projects will help an estimated 500 producers and small enterprises, most of which are located in the departments of Tunuyán, Tupungato, San Carlos, San Rafael, General Alvear, San Martín, Rivadavia, Junín, Santa Rosa, and La Paz to identify the business and technological challenges that they face and to take cooperative partnering actions in order to overcome them. In particular, the subcomponent will finance: (i) studies to identify new business models in each of the sectors. The studies will provide information on market trends, marketing methods, and technological and organizational challenges to be addressed, as well as the most profitable, viable options for organized producers and enterprises; (ii) technology, market identification, and investment attraction missions, both inside and outside the country. At least 200 producers are expected to participate in these missions; and (iii) projects submitted by producers, associations, and development institutions involved in the aforementioned sectors that aim to take advantage of business opportunities detected in the studies and in the technology and trade missions. The projects will be selected through annual competitive processes to be widely publicized in the province and will be supported through nonreimbursable contributions for up to 60% of their total costs, with a limit of US\$300,000 in financing per project. The projects will be evaluated by experts selected by the MAT on the basis of criteria set forth in the Operating Regulations.
- 1.21 **Component 3. Support for the internationalization of the province of Mendoza.** This component will finance actions intended to improve the province of Mendoza's ability to attract investment and promote exports so as to encourage the effective internationalization of companies in the province. The component will work simultaneously and in coordination with ProMendoza and the API, seeking to act throughout the export/investment cycle within the strategic sectors identified in the program. Specifically, the component will finance: (i) the design and

implementation of a strategy to promote export diversification and the attraction of investments with a view to spurring technological innovation in the province's economy; (ii) the modernization of ProMendoza's and the API's institutional-management systems, placing special emphasis on coordination mechanisms between the two agencies; (iii) the strengthening of capacities to promote, monitor, and evaluate ProMendoza and the API; (iv) technical cooperation for the functional design of an aftercare unit at the API; and (v) sector trade promotion actions such as conducting direct and reverse sector missions and implementing sector promotion plans ([optional link 12](#)). By the end of the program, the number of investment projects in priority sectors is expected to increase, while the number of enterprises served by ProMendoza is expected to rise from the current 1,000 to an estimated 1,400.

- 1.22 **Cost of the program.** The program's cost is US\$79 million, of which the Bank will finance US\$50 million and the counterpart US\$29 million. The costs by component and source of financing are shown in Table 1.

Table 1. Program costs (US\$)

Component	IDB	Local	Total	%
<b>1. Component 1: Support for logistics development</b>	<b>34,700,000</b>	<b>26,250,000</b>	<b>60,950,000</b>	<b>77.15</b>
1.1 Provincial Route 82	27,400,000	24,000,000	51,400,000	<b>65.06</b>
1.2 New primary customs zone	7,300,000	2,250,000	9,550,000	<b>12.09</b>
<b>2. Component 2: Support for technological development</b>	<b>7,950,000</b>	<b>1,550,000</b>	<b>9,500,000</b>	<b>12.03</b>
2.1 Biotechnology and Renewable Energy Park	1,200,000	550,000	1,750,000	<b>2.22</b>
2.2 Knowledge Hub	3,000,000	750,000	3,750,000	<b>4.75</b>
2.3 Enhancement of management information systems	750,000	0	750,000	<b>0.95</b>
2.4 Local competitiveness-enhancement initiatives	3,000,000	250,000	3,250,000	<b>4.11</b>
<b>3. Component 3: Support for internationalization</b>	<b>3,700,000</b>	<b>200,000</b>	<b>3,900,000</b>	<b>4.94</b>
3.1 Investment promotion	1,850,000	0	1,850,000	<b>2.34</b>
3.2 Export promotion	1,850,000	200,000	2,050,000	<b>2.59</b>
<b>4. Administration, audits, and evaluation</b>	<b>2,650,000</b>	<b>1,000,000</b>	<b>3,650,000</b>	<b>4.62</b>
4.1 Coordination and administration	2,250,000	1,000,000	3,250,000	<b>4.11</b>
4.2 Audit and evaluation	400,000	0	400,000	<b>0.50</b>
<b>5. Contingencies</b>	<b>1,000,000</b>	<b>0</b>	<b>1,000,000</b>	<b>1.27</b>
<b>TOTAL</b>	<b>50,000,000</b>	<b>29,000,000</b>	<b>79,000,000</b>	<b>100.00</b>

#### D. Key results indicators

- 1.23 **Expected impact and outcomes.** The program is expected to help increase Mendoza's economic competitiveness. This will be evaluated on the basis of the Provincial Competitiveness Index prepared every two years by the Córdoba



Chamber of Commerce.<sup>20</sup> In terms of outcomes, the first component will take account of the decrease in the vehicle operating costs and travel time starting with the completion of RPN82. These variables will be calculated using data from the provincial traffic department. The reduction in the number of trucks entering the residential area of Godoy Cruz and in the total wait time for trucks, and the increased freight coverage, according to ZPA records, will also be taken into account. The following variables will be measured for the outcomes of component 2: the number of enterprises and agencies housed at the technology parks, the increase in enterprise-university-government cooperation, and the increase in the revenue of producers of pears, apples, plums, and must grapes. For component 3, outcomes associated with the number of investment projects identified in priority sectors and the degree to which they become effective investments, as well as the increase in the number of enterprises served by ProMendoza and the improvement in their export performance, will be measured. The outcome indicators for components 2 and 3 will be calculated on the basis of administrative records and ad hoc surveys. The details are provided in Annex II, Results Matrix, and in the monitoring and evaluation plan ([required link 2](#)).

- 1.24 **Economic viability and solidity of the program's benefits.** An economic analysis of the principal program interventions was carried out, including RPN82, the new ZPA, the PBYER, and the Knowledge Hub, which represent 85% of the program. Using conservative assumptions, each intervention has a positive net present value. The sensitivity analysis shows that the interventions in question generally withstand changes to critical variables while maintaining a positive net present value. For the PBYER and the Knowledge Hub, economic viability is sensitive to the growth of supported enterprises, making this a key factor to be carefully considered in the enterprise-selection process ([optional link 3](#)).

## II. FINANCING STRUCTURE AND RISKS

### A. Financing instruments

- 2.1 The project is structured as an investment loan and will be executed over five years.
- 2.2 **Special conditions precedent to the first disbursement:** The Borrower, through the executing agency, will submit evidence of: (i) the establishment of the PEU at the Undersecretariat of Industry and Technology of the executing agency, which is to be staffed with the specialized personnel agreed upon in advance with the Bank; and (ii) the entry into force of the program Operating Regulations, which will include a description of the functional coordination between the executing agency's PEU and the International Financing Unit of the borrower's Ministry of Finance, in accordance with the terms agreed on in advance with the Bank.

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<sup>20</sup> The index is based on an algorithm and groups the key determinants into seven broad dimensions or "factors" in order to quantify a province's degree of competitiveness: people, enterprises, infrastructure, government, natural resources, innovation, science and technology, and economic results ([optional link 17](#)).

- 2.3 **Special execution conditions:** (i) Before starting execution of component 1, “Support for logistics development,” the borrower, through the executing agency, will submit evidence that cooperation and technical support agreements have been signed by the executing agency and the Ministry of Infrastructure and Energy and by the executing agency and the IDITS; (ii) before starting execution of component 2, “Support for technological development,” the borrower, through the executing agency, will submit evidence of the document establishing the consortium between the borrower and the Universidad Nacional de Cuyo for the creation of the PBYER and of the signing of the cooperation and technical support agreement between the executing agency and IDITS; and (iii) before starting execution of component 3, “Support for internationalization,” the borrower, through the executing agency, will submit evidence that the annual management agreement has been signed with Fundación ProMendoza and the API.
- 2.4 **Recognition of expenditures, retroactive financing, and advance procurement.** The Bank may retroactively finance from the loan proceeds up to US\$1 million (2% of the proposed loan), and recognize, from the local contribution, up to US\$1 million (3.44% of the estimated local contribution) in eligible expenditures incurred by the borrower before the loan approval date for the construction of RPN82, the contracting of consulting services for the PEU, and the local competitiveness-enhancement initiatives, as well as on trade promotion actions. This will be conditional on compliance with requirements substantially analogous to those set forth in the loan contract. The aforementioned expenditures must be incurred during the 18 months prior to the loan approval date, but in no case may expenses incurred prior to 3 July 2013 (program profile approval date) be included.
- B. Environmental and social safeguard risks**
- 2.5 An analysis of environmental and social impacts and risks identified the following: (i) economic displacements adjacent to the current ZPA; (ii) road safety, during the construction and operation stages of RPN82; and (iii) possible displeasure of the population over the ZPA relocation. The cumulative impact of these risks is considered low. Positive impacts were also identified, including the following associated with RPN82 and the new ZPA: (i) shorter travel times; (ii) an improvement in the well-being of persons who drive on the highway as a result of reduced stress; (iii) reduction in air emissions and pollutants; (iv) reduction in traffic accidents and risks to drivers; and (v) improved import and export facilities as a result of better infrastructure. Based on available information and in accordance with the Environment and Safeguards Compliance Policy (Operational Policy OP-703), the program was classified as a Category “B” operation. [Required link 4](#) contains the operation’s environmental and social management report, which includes guidance on the proper environmental and social management of each of the program’s interventions.

**C. Technical and fiduciary risks**

- 2.6 During the program's analysis mission, a joint workshop was held with the participation of the Bank's team, the executing agency, and other entities involved to identify and assess technical and fiduciary risks and determine mitigation measures. Five risks of moderate to high severity were identified. The most significant is linked to possible delays in implementing the program due to the PEU's lack of experience. To mitigate this risk, a PEU composed of professionals with training and experience in line with the program requirements will be created, as a condition precedent to the first disbursement (see paragraph 2.2). In addition, functions and procedures manuals will be prepared to ensure the program is carried out properly. The remaining risks include a macroeconomic risk, a development risk, and two fiduciary risks. The first risk entails changes in demand at the ZPA and the parks as a result of changes in the macroeconomic scenario. This risk is mitigated with a revision of the eligibility conditions and selection criteria so as to ensure the interest of the beneficiary firms. The remaining potential risks are associated with weaknesses in financial management and delays in procurement. Mitigation measures include staff training in the Bank's policies and procedures and the timely preparation of the detailed designs and bidding documents for the program's most significant works.

**III. PROGRAM IMPLEMENTATION AND MANAGEMENT PLAN**

**A. Summary of institutional implementation arrangements**

- 3.1 **The borrower will be the Province of Mendoza, and the guarantor will be the Argentine Republic.** The program will be executed by a PEU reporting to the MAT. The PEU will coordinate with the International Financing Unit and other provincial agencies involved in the program, including the Ministry of Infrastructure and Energy, IDITS, ProMendoza, and the API, in accordance with collaboration and technical-support agreements and contracts to be signed (see paragraph 2.3).
- 3.2 The PEU will centralize all program-related activities and be responsible for relations with the IDB. Its duties will be to: (i) lead, coordinate, and exercise technical oversight and control over all program activities; (ii) prepare the program work plans; and (iii) monitor and evaluate the program output, outcome, and impact indicators and prepare the required reports. The International Financing Unit will collaborate with the PEU in the following areas: (i) managing program procurement and payment processes, except as otherwise specified in the collaboration and technical-support and management agreements; (ii) exercising oversight of economic, financial, legal, and administrative aspects of program activities; and (iii) requesting disbursements. The PEU will be composed of a general coordinator and an executive coordinator, and three units will answer to them: (i) management and finance; (ii) procurement; and (iii) technical area. The executive coordinator and the staff in each unit will be contracted with program funds.

- 3.3 **Financial and fiduciary management.** Program procurement and financial management will be carried out in accordance with applicable Bank policies and Annex III. All program procurement will be included in the procurement plan approved by the IDB through the “Procurement Plan Execution System” (SEPA) and the Special Conditions of the loan contract. Staff for the PEU will be contracted on the basis of a comparison of at least three candidates’ qualifications for doing the work, subject to ex ante review and the no objection of the Bank.
- 3.4 **Financial statements and external audit.** Each year and at that the end of the program, the PEU will submit the following financial reports: (i) audited annual financial statements by 30 April; and (ii) semiannual audit reports on the procurement processes and disbursements, by 28 February and 31 August.
- B. Summary of arrangements for monitoring results**
- 3.5 **Annual work plan.** The annual work plan will be prepared by the PEU and delivered with the year-end semiannual report for the preceding year and will include the programming of activities and disbursements and the updated procurement plan.
- 3.6 **Semiannual execution reports.** Sixty days after the end of each six-month period or as otherwise agreed, the PEU will submit a report indicating the execution status of the program activities including details on outputs achieved and under way, according to the program Results Matrix indicators, the monitoring and evaluation report based on the plan designed by the program team, and an analysis of the problems detected and corrective measures taken.
- 3.7 **Program evaluations.** A midterm and a final evaluation will be conducted. The midterm evaluation will be carried out 24 months into program execution or upon disbursement of 50% of the funds, whichever occurs first. For this evaluation, a specialized consultant will review: (i) the program execution mechanisms: organization of the PEU, administrative and financial procedures, and cooperation and technical-support agreements; (ii) the outcomes of component 1 and the progress of components 2 and 3; and (iii) the mechanism for supporting local competitiveness projects in component 2. Based on this review, the consultant will draw up recommendations for improving the performance of the program. The final evaluation will be contracted when 90% of the funds have been disbursed and will include, at a minimum: (i) a study on the expected impact of the program (see paragraph 1.23); (ii) a review of the outcomes and outputs committed in the Results Matrix; (iii) the performance and sustainability of the PEU; (iv) the degree to which its capacity to coordinate with other entities in the provincial and national innovation system have been developed; and (v) the lessons learned for implementation in future projects ([required link 2](#), Monitoring and evaluation plan).

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives	Aligned		
Lending Program	Lending to support regional cooperation and integration.		
Regional Development Goals	i) Paved road coverage (Km/Km <sup>2</sup> ), and ii) Foreign direct investment net inflows as percent of GDP.		
Bank Output Contribution (as defined in Results Framework of IDB-9)	i) Km of inter-urban roads built or maintained/upgraded, ii) Micro/small/medium productive enterprises financed, and iii) Farmers given access to improved agricultural services and investments.		
2. Country Strategy Development Objectives	Aligned		
Country Strategy Results Matrix	GN-2687	Private Sector Development.	
Country Program Results Matrix	GN-2756	The operation is included in the 2014 Country Program Document.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
II. Development Outcomes - Evaluability	Highly Evaluable	Weight	Maximum Score
	9.6		10
3. Evidence-based Assessment & Solution	9.6	33.33%	10
3.1 Program Diagnosis	3.0		
3.2 Proposed Interventions or Solutions	3.6		
3.3 Results Matrix Quality	3.0		
4. Ex ante Economic Analysis	10.0	33.33%	10
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis	4.0		
4.2 Identified and Quantified Benefits	1.5		
4.3 Identified and Quantified Costs	1.5		
4.4 Reasonable Assumptions	1.5		
4.5 Sensitivity Analysis	1.5		
5. Monitoring and Evaluation	9.1	33.33%	10
5.1 Monitoring Mechanisms	2.5		
5.2 Evaluation Plan	6.6		
III. Risks & Mitigation Monitoring Matrix			
Overall risks rate = magnitude of risks*likelihood	Low		
Identified risks have been rated for magnitude and likelihood	Yes		
Mitigation measures have been identified for major risks	Yes		
Mitigation measures have indicators for tracking their implementation	Yes		
Environmental & social risk classification	B		
IV. IDB's Role - Additionality			
The project relies on the use of country systems			
Fiduciary (VPC/PDP Criteria)	Yes	Financial Management: i) Budget, ii) Treasury, and iii) Accounting and reporting.	
Non-Fiduciary			
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality			
Labor			
Environment			
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	A number of specific studies were financed in order to support the design of the interventions proposed under this program and maximize their impact. These studies are provided in the optional links 5, 6 and 7.	
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan	Yes	The expost evaluation will produce solid evidence on the impact of building the final portion of the RPN82 and the activities of export promotion.	

The objective of the program is to contribute to increase the competitiveness of Mendoza. The program is aligned with the country strategy and contributes to the IDB Results Framework outputs of: i) km of roads built, ii) number of micro, small, and medium enterprises financed and iii) farmers given access to improved agricultural services and investments.

The diagnosis presents adequate information about the logistic problems that justify the investment in the Provincial Road No. 82, the displacement of the Customs Zone, and the need to support technological capabilities and internationalization. The document presents evidence on the effectiveness of programs that have supported similar activities. The results are correctly defined and there are suitable indicators.

The cost-benefit analysis presented is adequate; it presents the main assumptions and studies their sensibility. The monitoring and evaluation plan is consistent with Bank standards. There will be a rigorous impact evaluation that will provide additional evidence about the support of the internationalization of SMEs and the impact of the Provincial Road.

## RESULTS MATRIX

<b>Objectives</b>	The objective of the program is to contribute to raising Mendoza's economic competitiveness. The specific objectives are to: (i) improve the quality and lower the costs of logistics services; (ii) promote the incorporation of innovation and technology in the productive sector; and (iii) improve the quality and broaden the scope of trade promotion efforts.
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## Impacts

Impacts	Unit of measure	Baseline 2012-2013	Target 2018	Means of Verification / Comments
Increasing the competitiveness of the economy of Mendoza	Index	2.589 (12th)	3.0 (7th)	Provincial Competitiveness Index. The index is based on an algorithm and groups the key determinants into seven broad dimensions or "factors" in order to quantify a province's degree of competitiveness: people, enterprises, infrastructure, government, natural resources, innovation, science and technology, and economic results. The index is prepared every two years by the Córdoba Chamber of Commerce. The details are given in <a href="#">optional link 17</a> and at <a href="http://www.bolsacba.com.ar">www.bolsacba.com.ar</a> .

## Outcomes

Outcomes	Unit of measure	Baseline 2012-2013	Target 2018	Means of Verification / Comments
<b>Component I:</b>	<b>Improve the quality and lower the costs of logistics services in order to promote production, trade, and tourism.</b>			
1. Vehicle operating costs (VOCs) in the segments covered by the program	US\$ per vehicle per km	0.706	0.652	The baseline VOC is an average for different types of vehicles (automobiles, buses, utility vehicles, and light trucks). <i>Highway Development and Management</i> (HDM-4). Source: HDM4 and Provincial Highway Department.
2. Travel time on the segments covered by the program	Minutes per vehicle trip	52.4	41.1	The baseline travel time is an average for different types of vehicles (automobiles, buses, utility vehicles, and light trucks). It was calculated based on the average annual speed indicated by the HDM-4 program as well as distances with and without the project. The values for each type of vehicle are not factored into the average; rather, <i>average traffic speed</i> as indicated in the report on average annual speed produced by HDM-4 is taken into account. Traffic Study. <i>Highway Development and Management</i> (HDM-4). Source: Provincial Highway Department.
3. Entry of trucks into the residential area	% of trucks entering Godoy Cruz	100%	20%	Percentage of trucks entering Godoy Cruz where the primary customs zone is currently located. In 2013, it is estimated that 48,808 trucks will enter Godoy Cruz. Source: Records of the primary customs zone, IDITS.
4. Number of products that can be processed at the ZPA	Chapters of the NCM <sup>1</sup>	58	83	The baseline corresponds to the products/chapters that can be processed by the current ZPA. With the new services, products that currently cannot be processed owing to a lack of infrastructure and specialized equipment will be able to access the new ZPA. These products include, <i>inter alia</i> : fresh cuts of beef, fish, crustaceans, mollusks and other aquatic species, grains, coffee, tea, <i>yerba mate</i> tea, spices, animal or vegetable fats and oils, tobacco, oil seeds and oleaginous fruits, and minerals (coal, dolomite, etc.). Source: Administrative records of the primary customs zone, IDITS.
5. Average wait time for trucks at the ZPA	Hours	48	35	The baseline corresponds to the average wait time recorded for trucks processed by the current ZPA in 2013. Source: Administrative records of the port customs zone, IDITS.

<sup>1</sup> NCM: Common Tariff Nomenclature of MERCOSUR.

Outcomes	Unit of measure	Baseline 2012-2013	Target 2018	Means of Verification / Comments
<b>Component II:</b>	<b>Promoting innovation and the incorporation of technology in the productive sector</b>			
1. Enterprises housed in the Biotechnology and Renewable Energies Park	Enterprises	0	11	The baseline is 0 because the PBYER does not yet exist. Source: Records of the PBYER.
2. Percentage of enterprises housed at the Biotechnology Park linked to science and technology agencies and universities	Percentage	To be defined	80%	The baseline will be determined with information gathered in the process for selecting enterprises to be housed in the park. As preliminary information, from 2008 to 2010, according to the pilot phase of the National Survey of Employment Dynamics and Innovation conducted by the MINCYT, 50% of manufacturing firms are linked with science and technology agencies and universities. Source: Survey of enterprises housed at the park and PBYER records.
3. National or provincial entities that support the productive sector with their presence in the Knowledge Hub	Entities located at the hub	0	5	The baseline is 0 because the hub does not yet exist. Agreements or other documents formally establishing the presence of the entities in the hub. Source: Knowledge Hub.
4. Staff working in the Knowledge Hub on platforms that provide services for the companies operating there	Staff members	0	80	The baseline is 0 because the PBYER does not yet exist. Source: Employee records of the national or provincial entities that support the productive sector with their presence in the Knowledge Hub.
5. Technology-based enterprises with a commitment to locate at the Knowledge Hub	Enterprises located at the hub	0	20	The baseline is 0 because the PBYER does not yet exist. Commitment letters or other documents formalizing the decision to locate at the PBYER. Source: Knowledge Hub.
6. Difference in the percentage change in revenue level between producers who are beneficiaries of local competitiveness-enhancement initiatives and the control group	%	0	10%	Calculated using the difference-in-differences method between the companies supported by the program and the control group. Source: Records of the PEU and surveys of enterprises. Surveys of enterprises will make it possible to define the level of sales of the beneficiaries and nonbeneficiaries in the baseline.

Outcomes	Unit of measure	Baseline 2012-2013	Target 2018	Means of Verification / Comments
<b>Component III:</b>	<b>Improve the province's ability to attract investment and promote exports</b>			
1. FDI pipeline projects within the sectors prioritized in the investment promotion strategy	Annual percentage	To be defined	15%	The baseline will be defined in the investment promotion strategy document to be prepared with program funds. Source: API records.
2. Projects that become advertisements for investment within the sectors prioritized in the investment promotion strategy	Percentage	8%	10%	The number of investments announced in the public media compared to the number of pipeline projects. Source: API records.
3. Enterprises receiving ProMendoza's services to promote exports	Enterprises	1,000	1,400	Number of enterprises served by ProMendoza per year. Source: ProMendoza records.
4. Difference in the percentage change in level of exports between enterprises supported by ProMendoza and the control group	%	0	5%	Calculated using the difference-in-differences method between the companies supported by ProMendoza and the control group. According to an ECLAC study, average SME exports in 2002 were US\$570,000. "La inserción externa de las provincias argentinas: Rasgos centrales y tendencias a comienzos de 2000." Mariana Fuchs, ECLAC office in Buenos Aires. <i>Estudios y perspectivas</i> series. Buenos Aires, June 2004. The estimated impact on exports of enterprises served and not served by the program is calculated in terms of the impact of Fundación ExportAr's promotion actions at the national level. This impact was calculated in Volpe, Christian; Garcia, Pablo M.; and Carballo, Jerónimo. (2011). "Public programmers to promote firms' exports in developing countries: are there heterogeneous effects by size categories?" <i>Applied Economics</i> . 2011, pp. 1-21. Source: Records of ProMendoza and surveys of enterprises. Enterprise surveys will make it possible to define the level of sales of the beneficiaries and nonbeneficiaries in the baseline.



## Outputs

Component	Cost (US\$)	Base-line	Year 1 2014	Year 2 2015	Year 3 2016	Year 4 2017	Year 5 2018	Total	Unit of measure	Means of Verification / Comments
<b>Component I: Support for logistics development</b>										
RPN82 completed and put into service	51,400,000	0	0	1				1	A dichotomous variable equal to one when the route is completed and put into service	Work acceptance report
Primary customs zone completed and put into service	9,550,000	0	0	0	1			1	A dichotomous variable equal to one when the ZPA is completed and put into service	Work acceptance report
<b>Component II: Support for technological development</b>										
PBYER operating and providing all services	1,750,000	0	0	0	1			1	A dichotomous variable equal to one when the PBYTR is operating and providing all services	Work acceptance report
Knowledge Hub operating and providing all services	3,750,000	0					1	1	A dichotomous variable equal to one when the Knowledge Hub is operating and providing all services	Final works report
Producers participating in technology and trade missions	400,000	0	150	50				200	Producers	PEU records
Local competitiveness-enhancement projects financed	2,600,000	0	3	7				10	Projects financed	PEU records
<b>Component III: Support for internationalization</b>										
Information and management IT systems and website of the API operational	280,000	0	1					1	A dichotomous variable equal to one when the API's information systems and webpage are operational	API and PEU records
Provincial investment promotion strategy formulated	54,000	0	1					1	A dichotomous variable equal to one when the report is approved	API and PEU records
Sector studies focused on promoting and attracting strategic investors conducted	440,000	0	2	2	1			5	Sector studies	API and PEU records

Component	Cost (US\$)	Base-line	Year 1 2014	Year 2 2015	Year 3 2016	Year 4 2017	Year 5 2018	Total	Unit of measure	Means of Verification / Comments
ProMendoza performance evaluation methodology implemented <sup>2</sup>	120,000	0	1					1	A dichotomous variable equal to one when the methodology has been implemented	ProMendoza executing unit records
ProMendoza and API staff members trained	229,000	0	5	5	5			15	ProMendoza staff members	ProMendoza PEU records
Investment and export promotion activities conducted (trade missions, participation at tradeshow, reverse rounds)	1,700,000	0	5	5	5	5	5	25	Activities carried out	API, ProMendoza and PEU records

<sup>2</sup> The performance evaluation system applies a methodology consisting in systematically collecting information on the enterprises receiving assistance and the subsequent impact evaluation. This system will make it possible to rigorously and periodically evaluate the impact of the actions on the agencies so as to take corrective actions as necessary.

## **FIDUCIARY AGREEMENTS AND REQUIREMENTS**

<b>Country:</b>	Argentina
<b>Project number:</b>	AR-L1157
<b>Name:</b>	Program to Support the Technological Development of Mendoza
<b>Executing agency:</b>	Ministry of Agroindustry and Technology of the Province of Mendoza
<b>Fiduciary team:</b>	Ignacio Vinocur (FMP/CAR), Eduardo Hellemeyer (consultant), and Brenda Alvarez (FMP/CAR)

### **I. EXECUTIVE SUMMARY**

- 1.1 The risk evaluation used the Procedures Guide for Risk Management in Projects with Sovereign Guarantee, and the institutional analysis used the Institutional Capacity Assessment System (ICAS). The executing agency will be the Ministry of Agroindustry and Technology of the Province of Mendoza.
- 1.2 Certain weaknesses and fiduciary risks were identified, as shown in the Risk Mitigation Matrix (RMM). The executing agency's fiduciary management systems were assessed using the procedures mentioned in section I.1, and it was concluded that they are adequate but should be strengthened.
- 1.3 The program includes no financing from other multilateral agencies.

### **II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY**

- 2.1 The fiduciary systems of the executing agency are considered satisfactory, although they have certain weaknesses that will require strengthening measures, which were included in the RMM.

### **III. FIDUCIARY RISK EVALUATION AND MITIGATION MEASURES**

- 3.1 Fiduciary capacity was examined as part of the ICAS analysis, and risks (including fiduciary risks) were identified using the project risk management methodology described above, through a joint workshop with members of the executing agency and other agencies. A total of seven risks were identified. One risk was determined to be of high severity, four of moderate severity, and two of low severity. The most significant risk is linked to possible delays in program implementation. The following measures were included to mitigate this risk: (i) drawing up a program work plan with the bulk of program activities carried out in the first two years of execution; (ii) preparing the organizational chart of the PEU; (iii) drafting a functions manual setting out job profiles and positions at the PEU; and (iv) preparing draft agreements. In addition, of the four moderate risks, one is

macroeconomic, one is development-related, and two are fiduciary. The first risk is exogenous and stems from the country's current economic situation, whereas the development risk results from internal factors that may delay execution (considerable delays in developing the primary customs zone). The two fiduciary risks are associated with the PEU's lack of experience, and may lead to financial management weaknesses and procurement delays. Measures to mitigate these risks are built into the design of the operation through comprehensive strengthening and technical cooperation mechanisms.

- 3.2 The applicable supervision method for financial management and procurement management was determined on the basis of these identified risks. The initially established supervision method may be altered during program execution based on subsequent evaluations.

#### IV. CONSIDERATIONS FOR THE SPECIAL CONDITIONS OF THE CONTRACTS

- 4.1 **Conditions precedent to the first disbursement:** The borrower, through the executing agency, will submit evidence of: (i) the establishment of the PEU at the Undersecretariat of Industry and Technology of the executing agency, which is to be staffed with the specialized personnel agreed upon in advance with the Bank; and (ii) the entry into force of the program Operating Regulations, in accordance with the terms agreed upon in advance with the Bank.
- 4.2 **Special execution conditions:** (i) Before starting execution of component 1, "Support for logistics development," the borrower, through the executing agency, will submit evidence that cooperation and technical support agreements have been signed by the executing agency and the Ministry of Infrastructure and Energy and by the executing agency and the IDITS; (ii) before starting execution of component 2, "Support for technological development," the borrower, through the executing agency, will submit evidence of the document establishing the consortium between the borrower and the Universidad Nacional de Cuyo for the creation of the Biotechnology and Renewable Energy Park and of the signing of the cooperation and technical support agreement by the executing agency and IDITS; and (iii) before starting execution of component 3, "Support for internationalization," the borrower, through the executing agency, will submit evidence that the annual management agreement has been signed with Fundación ProMendoza and the Investment Promotion Agency.
- 4.3 The executing agency will submit the program's annual financial statements audited by an independent auditing firm acceptable to the Bank in accordance with terms of reference agreed on in advance, as well as semiannual audit reports on the procurement processes and disbursements, no later than 28 February and 31 August of each year.

## **V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION**

### **A. Procurement execution**

- 5.1 Procurement processes will be conducted in accordance with the Policies for the procurement of goods and works financed by the Inter-American Development Bank (document GN-2349-9) of March 2011, and the Policies for the selection and contracting of consultants financed by the Inter-American Development Bank (document GN-2350-9) of March 2011. The executing agency has also agreed to use SEPA to administer and manage the planning of program procurement. In the event of temporary problems with connectivity and/or entering information into the SEPA system, work could provisionally be carried out using hard copies of Excel documents, to ensure the existence of an approved, current procurement plan.

#### **1. Procurement of goods, works, and nonconsulting services:**

- 5.2 Contracts for goods, works, and nonconsulting services<sup>1</sup> arising under the program and subject to international competitive bidding (ICB) will be executed using the Bank's standard bidding documents. Procurement subject to national competitive bidding (NCB) will be carried out using national bidding documents agreed upon with the Bank. The program's sector specialist will be responsible for reviewing the technical specifications for procurement during the preparation of selection processes. The procurement plan to be submitted by the executing agency will identify the selection processes that involve direct contracting and those requiring prequalification of bidders.
- 5.3 In ICB processes, the term set forth in the Policies for submitting bids on works, goods, and nonconsulting services applicable to the cases of noncomplex procurement may be reduced by up to four weeks, and acceptance of the term established by local regulations for NCB.
- 5.4 For procurement processes conducted through NCB, the executing agency, in interpreting paragraph 2.47 of the respective procurement policy, may make the proposal for award available for examination at the end of the evaluation process in cases in which national rules so allow and the corresponding national bidding document has so established. After the date for opening tenders, the executing agency may even allow bidders to review the tenders and make comments or observations (but not file challenges or complaints), which must be addressed in the evaluation report.
- a. **Selection and contracting of consultants:** Contracts for consulting services generated under the program will be executed using the request for proposals issued by the Bank. The procurement plan will detail the selection processes, including services to be contracted through single-source selection.

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<sup>1</sup> Policies for the procurement of goods and works financed by the Inter-American Development Bank (document GN-2349-9), paragraph 1.1: Nonconsulting services are treated as goods.

For consulting services with an estimated budget of up to US\$200,000, the executing agency will encourage use of the method of selection based on the consultants' qualifications (CQS), as established in paragraph 3.7 of the policies.

- **Selection of individual consultants:** Individual consultants will be selected considering the provisions of Section V, paragraphs 5.1 to 5.4, of document GN-2350-9. The contracting of consultants to assist the executing agency during the program execution period may follow the single-source selection procedure, in accordance with chapter V, paragraph 5.4(a), of the cited policy. For such purposes, the executing agency will submit a list of consultants to the Bank (terms of reference for each position, when activities are recurrent and have a scope similar to that of the execution period) who are providing services under loans 1885/OC-AR and 2499/OC-AR. For the renewal of service contracts, approval of the performance evaluation by the program executive coordinator showing at least satisfactory results will be sufficient.
  - **Training:** The procurement plan details the procurement processes applicable to the project components that include training elements and that are contracted as consulting and nonconsulting services.
- b. **Recurring expenditures:** Recurring expenditures or operating and maintenance expenses required during the program will include: airfare (the national rule established by Decree 1191/2012 requires the use of Aerolíneas Argentinas and Austral for all travel within the country and abroad), per diems, ground transportation, rentals and services, maintenance, expenses, stationary, messenger and postal expenses, cleaning services, computer supplies, insurance, telephone service, and minor expenses for operation of the executing agency, which will be financed by the program and handled in accordance with the executing agency's administrative procedures. These procedures have been reviewed and accepted by the Bank. Operating costs do not include the salaries of public sector employees.

**Recognition of expenditures, retroactive financing, and advance procurement.** The Bank may retroactively finance from the loan proceeds up to US\$1 million (2% of the proposed loan), and recognize, from the local contribution, up to US\$1 million (3.44% of the estimated local contribution) in eligible expenditures incurred by the borrower before the loan approval date for the construction of RPN82, the contracting of consulting services for the PEU, and the local competitiveness-enhancement initiatives, as well as on trade promotion actions. This will be conditional on compliance with requirements substantially analogous to those set forth in the loan contract. The aforementioned expenditures must be incurred during the 18 months prior to the loan approval date, but in no case may expenses incurred prior to 3 July 2013 (program profile approval date) be included.

## 1. Table of threshold amounts (US\$ thousands)

Works			Goods <sup>2</sup>			Consulting	
International competitive bidding	National competitive bidding	Shopping	International competitive bidding	National competitive bidding	Shopping	International advertising consulting	Short List 100% National
≥ 5,000,000	< 5,000,000 ≥ 350,000	< 350,000	≥ 500,000	< 500,000 ≥ 100,000	< 100,000	> 200,000	< 500,000

## 2. Main procurement processes

Activity	Type of process	Estimated date	Amount estimated (U\$ thousands)
<b>1. WORKS</b>			
Completion RPN82	ICB	2014	26,900
New primary customs zone	ICB	2014	6,400
<b>2. GOODS</b>			
Equipment for new primary customs zone	NCB	2014	450
Equipment for Investment Promotion Agency	NCB	2014	360
<b>3. CONSULTING SERVICES</b>			
Design of strategy and studies	QCBS	2014	780
Formulation of pear, apple, and plum business plan	CQS	2014	200
Formulation of must-grape business plan	CQS	2014	100

## 3. Procurement supervision

Contracts subject to ex post review by the Bank will be those listed in the following table, and they will be carried out in accordance with Appendix 1 of the respective policies. Contracts for amounts greater than or equal to those cited in the table will be subject to ex ante supervision. Similarly, direct contracting of works, goods, services, and consulting services listed in the procurement plan may be subject to ex post review, in accordance with Appendix 1, section 4, of the procurement policies, provided that the circumstances meet the requirements for direct contracting as set forth in the respective policies.

The Bank will conduct ex post review visits at least once every 12 months. The ex post review reports will include at least one physical inspection visit, as appropriate. It is important to clarify that at least 10% of the reviewed contracts will be subject to physical inspection during the program.

Threshold for ex post review			
Works	Goods	Consulting services	Individual consultants
< 5,000,000	< 500,000	< 200,000	< 50,000

Note: The threshold amounts set for ex post review are based on the executing agency's fiduciary capacity for execution, and may be modified by the Bank in the relevant procurement plan to the extent that such institutional capacity acquires greater experience.

#### 4. Records and files

The executing agency will maintain a standardized record-keeping system with its respective procedures and original documentation. The agreed formats or procedures, which are described in the program Operating Regulations, must be used for the preparation and filing of project reports. The original documents will be retained by the program coordinating unit, which will be responsible for managing bidding processes.

### VI. FINANCIAL MANAGEMENT

#### 1. Programming and budget

- 6.1 The executing agency's budget has programmatic categories and other classifications based on expenditure purposes (subheadings), namely, personnel expenses, consumer goods, nonpersonnel services, fixed assets, transfers, financial assets, debt service, reduction of other liabilities, and other expenses. Depending on their economic nature, items are classified as current expenditures, capital expenditures, or investments. Internal financing sources may be the provincial treasury, own resources, earmarked funds, and internal transfers. External financing includes external transfers and external loans.
- 6.2 No difficulties are foreseen for the management and timeliness of the local counterpart or delays affecting execution.

#### 2. Accounting and reporting systems

- 6.3 The executing agency will use UEPEX as a financial management system, to be implemented at both the central and provincial levels. Accounting records will be kept on a cash basis, and International Financial Reporting Standards will be followed, as applicable according to the established country criteria. The required financial reports will be: (i) audited annual financial statements by 30 April of each year; (ii) semiannual audit reports on the procurement processes and disbursements by 28 February and 31 August of each year.

#### 3. Disbursements and cash flow

- 6.4 The applicable policy will be the Financial Management Policy for IDB-financed projects (document OP-273-1) and the Financial Management Operational Guidelines for IDB-financed Projects (document OP-274-1).



- 6.5 The loan proceeds requested by the Bank under the advance of funds modality will be deposited in a dollar-denominated account and converted into local currency as operating needs require in a special peso-denominated account exclusive to the project, from which expenses and investments will be paid as planned. The executing agency must exercise strict and effective control over the use of the funds advanced with mechanisms for verifying and reconciling the available balances shown in its records with those shown for the same items in the Bank's records (LMS1 report).
- 6.6 The e-Disbursements modality will be used, which is the IDB Web-based system that allows the executing agency to prepare and send disbursement requests to the Bank electronically, lowering transaction costs and allowing the Bank to review and process applications received remotely.
- 6.7 Exchange rate agreed on with the executing agency: The exchange rate to be used is established as follows:
1. Reimbursement of expenditures: The exchange rate indicated in Article 4.09(b)(i) of the General Conditions in effect on the date on which the request is submitted to the Bank will be used.
  2. Accounting for advances of funds: The exchange rate indicated in Article 4.09(a)(i) of the General Conditions will be used.
  3. Counterpart: The exchange rate indicated in Article 4.09(b)(i) of the General Conditions in effect on the first business day of the month in which each expense is paid will be used.
  4. Disbursements in currencies other than United States dollars and Argentine pesos: In cases of direct payment and letter of credit guarantee reimbursement, the loan currency equivalent will be based on the amount actually disbursed by the Bank.
- 6.8 Other specific requirements of project financial management necessary to establish in the contract or agreement to be signed with the Bank: Disbursements will be made in accordance with Articles 4.03, 4.05, 4.06, and 4.07 of the General Conditions.

#### **4. Internal control and internal audit**

- 6.9 Internal control is exercised by the provincial accounting office, which audits each file on an ex post basis once it has been closed. The internal control exercised by the accounting office is set forth in the accounting law.
- 6.10 A manual of administrative procedures will be prepared and implemented, covering the processes and circuits to be followed by the execution unit in the context of the program.

#### **5. External control and reports**

- 6.11 The function of program external auditor will be exercised by an independent firm of Bank-eligible auditors.

## **6. Financial supervision plan**

- 6.12 The initial financial supervision plan is based on the risk and fiduciary capacity assessments performed as part of the “onsite” and “desk” reviews envisioned for the project, and includes the scope of the operational, financial, and accounting actions, as well as the compliance and legality actions, frequency, and responsibility. Annual financial inspection visits are planned. The ex post review modality will be adopted for disbursements.

## **7. Execution arrangements**

- 6.13 The execution mechanism is described in the proposal for operation development.
- 6.14 **Disbursements.** The advance of funds modality will be used for disbursements, in accordance with the financial plan covering a maximum of 180 days. Funds advanced must be accounted for when at least 80% has been spent. The disbursement request will include the disbursement request form, execution status, and the financial plan for the following 180 days. The financial management specialist may request additional information, namely: (i) itemized commitments; and (ii) reports on the estimated physical and financial progress of the project. For accounts of funds advanced, the following information must be submitted to the Bank: (i) disbursement request form; (ii) project execution status; (iii) reconciliation of Bank resources; (iv) itemized payments; and (v) other reports to help demonstrate the progress of the project. Supporting documentation for expenditures or payments will not be required when accounts are submitted of funds advanced. This does not imply approval of such expenditures by the Bank. The original supporting documentation for the expenditures must be available for review by the Bank upon request.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/14

Argentina. Loan \_\_\_/OC-AR to the Province of Mendoza  
Program to Support the Technological  
Development of Mendoza

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 Province of Mendoza, as Borrower, and with the Argentine Republic, as Guarantor, for the purpose of granting the former a financing to cooperate in the execution of the Program to Support the Technological Development of Mendoza. Such financing will be for an amount of up to US\$50,000,000 from the Ordinary Capital resources of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_\_\_ 2014)

LEG/SGO/CSC/IDBDOCS: 38041655  
Pipeline No. AR-L1157