

PROGRAM FOR THE CONSOLIDATION OF
ADMINISTRATIVE AND FINANCIAL REFORM
OF THE NATIONAL PUBLIC SECTOR

(AR-0149)

EXECUTIVE SUMMARY

**BORROWER AND
GUARANTOR:** Argentine Republic

EXECUTING AGENCY: Ministerio de Economía y Obras y Servicios Públicos
[Ministry of Economy and Public Works and Services]
(MEOSP) through the Department of Finance. MEOSP's
Department of Economic Programming and the Sindicatura General de la Nación [Comptroller General]
(SIGEN) will be the subexecuting agencies.

AMOUNT AND SOURCE: IDB: US\$47,000,000 (OC)
Local counterpart funding: US\$12,000,000
Total: US\$59,000,000

**FINANCIAL
TERMS AND
CONDITIONS:** Amortization period: 20 years
Disbursement period: 4 years
Interest rate: variable
Inspection and supervision: 1% of the loan
Credit fee: 0.75% per annum on the
undisbursed balance of
the loan.

OBJECTIVES: To improve efficiency and effectiveness in the use of
the public sector's financial, human, and physical
resources. The program includes measures to consoli-
date, intensify, and expand the administrative and
financial reform initiated in recent years by the
Department of Finance, lay the groundwork for the new
organizational structure of the executive branch,
further improve the auditing and internal management
control system utilized by SIGEN and help to reorgan-
ize and strengthen the system of national and inter-
national accounts, and statistics utilized by the
Department of Economic Programming.

DESCRIPTION: Reimbursable technical-cooperation financing for a
program composed of the following subprograms and
support work:

- the Financial Administration Subprogram will
conduct activities to complete reform of the State's
physical and financial resource administration

originated in the MEOSP's Department of Finance and prepare basic studies for the design and establishment of a more efficient and effective organizational structure within the executive branch;

- the Auditing and Internal Control Subprogram will improve the auditing and internal management control system utilized by SIGEN and the Internal Auditing Units within the various public institutions to encourage more efficient and effective administration of State resources;

- the Economic Statistics and Accounts Subprogram will help to organize, modernize, and strengthen the system of national and international accounts and statistics, improving the relevance and usefulness of the information for decision-making on the use of resources; and

- work in the areas of coordination, training and information systems in support of all three of these subprograms.

**ENVIRONMENTAL
CLASSIFICATION:**

The Environmental Management Committee, at its meeting of October 26, 1993, classified this program as a Category II operation.

BENEFITS:

The main benefit of the program would be to substantially improve management capacity in all of the country's public sector institutions by solving the scarcity of timely and reliable information; developing analytical and operational tools for translating public policies into concrete action; and improving the public sector's resource administration processes. The program will improve public administration on several fronts: integrating physical and financial resource administration within the various public institutions into a single system that is efficient and transparent; improving the quality, quantity, and timeliness of statistical information for use in guiding public sector policies; and providing public sector managers with the tools to evaluate the efficiency and effectiveness of institutional functions.

In addition to the general benefits derived from better decision-making, there are direct tangible short-term benefits, such as improved economic efficiency and reduced liquidity requirements, because nearly 3,500 separate accounts would be consolidated into a single account, cash inflows and outflows will be better synchronized, and competitive mechanisms will be established for procurement and

contracting of government goods and services, with greater control over their use.

The program is designed to result in: an integrated system of resource management for the entire national administration that will optimize the processes of allocation, use, accounting, control, and evaluation through the use of modern methodologies and a real-time information network; baseline studies for organization of the executive branch; a statistical system providing integrated, timely, reliable, and complete information in terms of general statistics and data from the national and international accounts; and finally, an internal management evaluation structure enabling public sector managers to improve their processes of operations programming, resource allocation, and policy implementation.

RISKS:

The main risks of the operation stem from possible changes in the personnel responsible for strategic management of the program and the rapid institutional transformations that have been resulting from State reforms, and which are bound to result from implementation of the constitutional reform approved in August 1994 and the presidential elections in mid-1995. In order to minimize these risks, the program has been designed to accomplish very specific objectives but with a flexible execution mechanism that allows for adaptation of activities and methods to changing political and institutional realities, with Bank participation in strategically important decisions. It should be noted that current salary levels in the public sector have become more competitive with those in the private sector, which is helping to improve personnel retention.

Moreover, given the large number of consultants and entities affected by the program, many of the conditions for its success are outside of its control. This risk has been minimized by restricting the scope of the operation to activities that are under the direct or indirect supervision of only two departments of the Ministry of Economy and SIGEN, with a strong coordination unit and a detailed mechanism for strategic and tactical review on a periodic basis.

Another risk is that program management may prove defective in some areas. To contain this risk, the program has been structured as a series of short-term goals which can be accomplished without waiting for completion of the entire program. The emphasis is on

information systems and processes which, once implemented, will become independent of strategic management, gradually building up institutional memory. In addition, in supervising the program, progress will be evaluated continuously using a matrix of performance and impact indicators to identify appropriate corrective measures. The matrix will itself be adjusted based on experience.

From the technical point of view, it is indispensable that the information system, which must operate on the basis of real-time transactions, has an adequate response time and fluid communications. The risk here is that the number of users and their geographical dispersal will make operation of the system more difficult. Consequently, a distributive design has been adopted for the main databases of the system and the architecture of the communications network has been configured so as to minimize this risk.

An additional risk stems from resistance to change. To minimize it, the operation includes an extensive human resource development program to provide training in the new methods and systems, and allow for participation in the changes decided upon and seminars to overcome resistance and ease program introduction. Training will be provided for line, intermediate, and management personnel.

**EXCEPTIONS TO
BANK POLICY:**

No exceptions to Bank policy are planned. To speed up the program and make supervision by the Country Office easier, however, a change in the procedures for review of the selection and hiring of consultants is proposed to permit an ex post spot review of contracts valued at less than US\$50,000 in the case of individual consultants and at less than US\$100,000 in the case of consulting firms (see paragraph 3.25).

**SPECIAL
CONTRACTUAL
CONDITIONS:**

As conditions precedent to the first disbursement of the operation the executing and coordinating units must be set up and provided with the necessary resources, the execution agreement between the MEOSP and SIGEN must be signed, and the resolutions establishing the executing and coordinating units must have been adopted (paragraph 3.21). Submission of the first annual execution plan will also be required (paragraph 3.15). Drafts of the documents have already been revised by the project team and the agreements can be concluded upon signature of the loan contract.

The loan contract requires the submission of semiannual progress reports on the program (paragraph 3.14),

special reports for changes in plans and/or design (paragraph 3.16), audited financial statements (paragraph 3.32), and an ex post evaluation report (paragraph 3.18).

**BANK COUNTRY AND
SECTOR STRATEGY:**

The program proposed falls within one of three areas assigned priority by the Bank in its strategy for Argentina for the period 1994 to 1997, which is the consolidation of public sector structural reform. It is one of seven such operations, five of which have already addressed financial reform in the provinces, public sector reform, debt restructuring, reform of the investment sector, and of national electric companies. An operation to reform the justice administration system is also planned.

I. FRAME OF REFERENCE

A. Economic recovery and reform of the public sector in Argentina

- 1.1 The main characteristics of the Argentine economy in the 1980s were instability and stagnation, caused primarily by a large fiscal and quasifiscal deficit. As a result, in 1989 the rate of inflation was 4,923%, and during the decade real per capita income fell by 2.2%. This situation required the current government to adopt a program of economic reform to bring stability and sustained growth, entailing a redefinition of the State's role at national, provincial, and municipal levels, with a view to improving the efficiency of overall public sector management. Since 1991, inflationary expectations have been broken by the convertibility plan and a restrictive fiscal policy, which resulted in a strong inflow of capital and remonetization of the economy. This economic program was accompanied by fiscal adjustment and reform policies, privatization, decentralization, and economic deregulation.
- 1.2 As regards fiscal policy, a process of reform has been initiated with a view to reestablishing the severely eroded tax base, which was contributing to the fiscal deficit. Improvements in tax collection resulting from the reform measures helped to increase revenues, excluding social security, from 8.7% of GDP in 1990 to 11.4% in 1993. This permitted an increase in the primary fiscal surplus, excluding privatizations, from 1% of GDP in 1990 to 2% in 1993 and accomplishment of the goals of the International Monetary Fund's Extended Fund Facility. In addition, to consolidate fiscal progress, two fiscal agreements were reached with the provinces in 1992 and 1993 with a view to promoting fiscal reform at the provincial level, which is proceeding more slowly.
- 1.3 To support this program for stabilization and recovery of sustained economic growth, in-depth reforms are also being undertaken as part of a ten-year program (1989-1998) in the following areas: (a) structural considerations; (b) the role of the State; (c) occupational management structure; (d) procedures to simplify formalities and incorporate new management technologies; and (e) the effect of changes on management efficiency.
- 1.4 The main elements of this reform are: (i) specialization of the national public sector in the production of public services (safety, health, education, housing, justice, defense, and social security); (ii) coordination of economic and social policies; (iii) programs for the privatization of public enterprises and regulation of privatized activities; (iv) deregulation of the economy; (v) administrative reform; and (vi) redefinition of the functions of the national, provincial, and municipal governments.
- 1.5 The first phase of the administrative reform, which began in early 1989 and extended up to mid-1990, was designed primarily to impose

discipline on the administration and contain the growth of public expenditure, notably by restructuring and privatizing public enterprises. The second phase, begun in late 1990, was intended to attack the structural sources of the deficit and develop a modern and efficient public administration (by reducing staff levels, organizing administrative structures at the general and national directorate level within the ministries, eliminating overlap of responsibilities between administrative units, and initiating other medium-term programs to strengthen critical areas, such as fiscal administration). The third phase, begun in late 1991, was designed primarily to deregulate economic activities and decentralize education and health services in the provinces, reform administrative procedures, establish a hierarchy among management personnel, and introduce new and more modern financial and management control standards.

1.6 The program of reforms is intended to intensify and expand activities to consolidate the application of a serious fiscal adjustment and reform policy, which has been since the outset an essential condition for the success of the economic program. The main purposes of this policy are as follows:

- to reestablish a culture of budgetary discipline,
- to restore balance in the fiscal accounts,
- to increase fiscal revenues through tax simplification and improved tax administration, promoting greater fairness and in particular declaring a war on tax evasion,
- to reduce and restructure public expenditure and increase the efficiency and effectiveness of its impact, fundamentally through privatization, decentralization, and debureaucratization,
- to restructure public liabilities through refinancing, in accordance with the state's ability to pay
- to reorganize the government's financial administration.

1.7 At the national level, significant progress has been made in accomplishing these objectives, with the support of a number of programs financed by the IDB and the World Bank (see below) and administrative and technical assistance from the UNDP and UNCTAD. The results include: (i) a quantitative and qualitative change in the structure of the organizations, characterized by the elimination of organizational units, whose functions have been absorbed by the remaining units (among other changes, the number of national directorates decreased by one-third between 1991 and 1992); (ii) the introduction of administrative procedures for decision-making; (iii) the elimination or restructuring of 11 decentralized bodies; (iv) the strengthening of tax and duty collection agencies Dirección General Impositiva [Directorate of Taxation] (DGI) and the Customs Administration; (v) the creation of decentralized agencies to regulate the markets for privatized services (gas, electricity, telecommunications, water supply, and road and rail

transportation) and enforce product health standards; (vi) reduction of the number of public employees (civilian personnel in the central administration was cut by nearly half between April 1990 and April 1994, from 823,102 to 425,561); (vii) the introduction of new principles for administrative career development; and (viii) modification of the provisions governing financial administration and management control, as well as reevaluation of the role of the budget as the main instrument of public policy.

- 1.8 The substantial changes already made in the size and role of the public sector, as well as those being made in relations between the national government and the provinces, the retirement and pension system, the legal system, and the public investment sector will require major efforts. Finally, implementation of recently approved constitutional reform (August 1994) will have a significant impact on the structure of the executive branch by removing limits on the number of ministries; it is expected that five new ministries 1/ will be added to the eight existing ones by a special law. Each of the current ministries must undergo transformations in its structure, not only as a result of the reassignment of functions but also to implement the previous restructuring. In consolidating these changes, it will be necessary to actively attack procedural inefficiencies and resource management. This will create a dynamic of change throughout the public administration, so programs to support these reforms must be flexible and adaptable to political realities and shifts in power as the reforms are implemented.
- 1.9 The Argentine statistical system has deteriorated significantly over the past fifteen years as result of a drastic reduction in human and financial resources, a lower position among government priorities, and an increasingly complex economy characterized by hyperinflation and the structural changes resulting from economic liberalization, privatization, and deregulation. This situation has broken the continuity and lowered the quality of available information, leading to the appearance of contradictions and disagreement over the levels of vital indicators. Consequently, the decision was taken by the Argentine government to intensify work on the national statistical system. Historically, this program represents one of the most significant efforts ever in this field in Latin America in terms of the range of human and financial resources covered as well as the coordination of efforts with respect to basic statistics and statistical systems (national accounts and balance of payments).
- 1.10 While these accomplishments have been very significant at the macroeconomic structural level, many changes must still be made in the public administration itself, especially in the production of

1/ Social action, environment, science and technology, security, and information and culture.

reliable information for use by decision makers in allocating and controlling financial and physical resources. With monetary stability it has been possible to reestablish an orderly budgetary process 2/ and budgetary control, but the following tasks must still be accomplished: expand the Sistema Integrado de Información Financiera [integrated financial information system] (SIDIF) throughout the national public administration and technically improve the system of fiscal information and linkage with the provinces and municipalities; perform the technical work required to incorporate financial information from the provinces into the consolidated budget for the Argentine public sector; establish efficient procurement and asset management systems; develop instruments and systems to control budgetary performance and cost effectiveness; and prepare baseline studies for the design and implementation of adjustments in the organizational structure of the executive branch necessitated by the changes in financial administration, as well as those connected with the next phase of organizational structure reform during the years ahead.

- 1.11 In 1992, the State's audit and management control institutions were reformed with the establishment of the Auditoría General de la Nación [Office of the National General Auditor] (AUG) as the main external financial auditing body, under the authority of the national Congress, and the Sindicatura General de la Nación [Comptroller General] (SIGEN), under the authority of the Presidency of the Nation, as the entity responsible for controlling and auditing the public administration. SIGEN's has jurisdiction over the Presidency, eight ministries, one-hundred decentralized bodies (54 agencies, 31 universities, 6 financial institutions, and 9 regulatory and monitoring agencies, and 96 enterprises (23 permanent and 73 temporary).
- 1.12 SIGEN is the technical coordinator of 123 Unidades de Auditoría Interna [internal audit units] (UAIs), operating within public sector agencies and state enterprises on a permanent basis managing the official budget. Fifty-seven of these UAIs have an approved structure; the rest are being set up and staffed, with 1,000 officials to date. Most of these UAIs have no experience with integrated auditing based on criteria of economy, efficiency, and effectiveness. Considering that SIGEN's human and physical resources come from institutions dedicated primarily to financial auditing functions rather than management control, it will need special support to perform its functions properly.

2/ In 1991, for the first time in forty years, the national budget was submitted to Congress and approved in accordance with the established time limits; in 1993, for the first time in history, the budget was submitted for the third consecutive time within the stipulated time frames; and in 1994, also for the first time in history, a report on the results of budgetary execution during the preceding year was submitted.

- 1.13 With monetary stabilization, reconstruction of the national statistical system has been moved on to the agenda for State reform and modernization policy. The Instituto Nacional de Estadística y Censos [National Institute of Statistics and Census] (INDEC) has been assigned a coordinating and standard setting role. Institutionally, INDEC is weak in the areas of management and planning, despite successive reorganizations, which have prevented it from playing an effective leadership role. It has now embarked on an ambitious modernization program.
- 1.14 The functions of preparing the national accounts were transferred from the Central Bank to the new Directorate of National Accounts under the authority of the Department of Economic Programming. As a result of the system's deterioration in the 1980s, the Central Bank had obtained advisory services from ECLAC to revise sources and methods, as part of a technical assistance program for public sector management (World Bank loan 2712 AR). Due to difficulties in obtaining basic information, the input-output matrix, which constitutes a fundamental component of the system, was never prepared. The new administration aims to gradually apply the new version of the System of National Accounts approved by the United Nations Statistical Commission in 1993, taking into account the recommendations for implementation developed by ECLAC in late 1993.
- 1.15 The balance of payments, also formerly subject to the responsibility of the Central Bank, will soon be assigned to a new Directorate of International Accounts under the authority of the Department of Economic Programming. Among its most important activities is the development and application of the new balance of payments (Revision 5), for which it will require substantial external support.

B. The Bank's strategy

- 1.16 The strategy for the country during the period 1994 to 1997 indicates that the Bank's activities should focus *inter alia*, on "continuing with modernization of the State, understood as administrative reform and reorganization at the central level, extending to provincial and municipal governments". As shown in the following section, the Bank has participated actively in the process of reform and the proposed program is in line with this objective.

C. Sector financing

1. Inter-American Development Bank

- 1.17 In the last three years, the Bank has contributed to the financing of public sector reform through: (i) the Public Sector Reform Program (PSRP), loan 633/OC-AR, in the amount of US\$325 million; (ii) Program for the Reform of National Electric Utilities (PRNEU), 682/OC-AR, in the amount of US\$300 million, and 684/OC-AR, in the amount of US\$10 million; (iii) Investment Sector Reform Program (ISRP), loan 733/OC-AR in the amount of US\$350 million; and

(iv) Program of Financial Reform and Economic Development in the Provinces of Argentina (PFRDP), or "Provincial Program", loan 619/OC-AR, in the amount of US\$200 million. The Bank has also helped with debt restructuring through the Debt Reduction and Servicing Program (DRSP), and has been participating in the initial stages of preparation of a Justice Administration Reform Program (JARP), AR-0124.

1.18 The first three operations cited were financed by sector loans, for which disbursements are subject to conditionalities applicable to each operation. The PSRP contributed to improving the legislative, regulatory, and administrative framework within which the tax system, the budgetary system, and the Central Bank operated. On the other hand, the PRNEU, which like the PSRP was co-financed by the World Bank, has supported privatization and the reform of national electric utilities, which contributed to the fiscal deficit. Various components of this program also provided technical-cooperation support for the utility reform. The ISRP, the most recently approved program, is designed to increase private sector participation in the economy, promote deregulation and economic liberalization, and improve the efficiency of the financial sector. It also seeks to help identify measures to reduce provincial fiscal deficits through an analysis of problems in public employment, the provincial banks, and the social security system, and to prepare action plans taking into account the recommendations of those analyses. Disbursements under the PSRP and the DRSP have been completed. As for the PRNEU and ISRP, only the third tranche is still pending, and should be disbursed in late 1994.

1.19 The Bank has already provided direct financing for public sector institutional modernization and strengthening under the Provincial Program (PFRDP), whose final disbursement is scheduled for March 1996, and under the technical-cooperation component of the PRNEU. In the case of the PFRDP, financing is being provided for studies and project execution for administrative and fiscal reforms in the provinces, which could complement the proposed program. Difficulties have been encountered in program execution, but most have been overcome recently. While the executing unit has approved projects for the provinces taking 72.3% of the loan resources, only 4.1% had been disbursed as of September 30, 1994. Actual commitments (signed contracts) account for 7.6% and should increase to 35% by the end of the 1994. The proposed program should not have similar problems since its execution mechanism is different and past experience was taken into account in its design.

2. World Bank

1.20 Many of the reforms in financial administration have been supported by World Bank financing and technical/administrative support from the United Nations Development Program (UNDP) in the case of the Ministry of Economy, and the IDB (Provincial Program) in the case

of the Ministry of the Interior. From 1991 to 1993, the contribution of the World Bank to public sector reform was nearly US\$1.95 billion, of which less than US\$400 million remains to be disbursed. It included an adjustment loan and a technical assistance loan (PSRP), reform of public enterprises (PREP), the investment sector (ISRP), the financial sector, and fiscal reform in the provinces (Provincial Program).

1.21 Specifically in the area of financial administration (technical assistance in the case of the program of reform for the Argentine public sector), the World Bank resources have been allocated primarily to the Ministry of Economy, with technical support from the UNDP, to regulate the law of financial administration, for which regulations, procedures, and support systems are being developed. In the area of administrative reform, the World Bank supported the process of streamlining structures and personnel, creating the CECRA, the regime of executive function positions, and the new Sistema Nacional de la Profesión Administrativa [National System of the Administrative Professions] (SINAPA). This last program, of which the proposed program is a continuation, should be completed in mid-1995.

1.22 The World Bank is also considering a program of provincial reform, which is an intensification of the IDB Investment Sector Reform Program that laid the groundwork for financial reform in the provinces, and which is designed to replicate at the provincial level the reforms accomplished at the national level. Also being processed is an operation to strengthen the regulatory agencies and consumer protection mechanisms and a second stage of public sector reform.

3. Relationship between the proposed program and the World Bank reform programs

1.23 A description of the activities already developed and those to be developed under the proposed program appears in the matrix of indicators provided in Annex I-1. A summary is provided below.

1.24 For the Budget System, with the cooperation of the World Bank, the following was accomplished: (i) methodological and regulatory improvement of procedures and revision of manuals; (ii) the subsection for projecting expenditures and determining financial ceilings; (iii) the incorporation within "model" programs of the indication of concrete goals; and (iv) the definition of guidelines for physical/financial evaluation of budgetary programs. With the IDB program, the objective is to consolidate the processes of physical/financial evaluation of the budget and, in conjunction with the new methodologies for budgetary programming developed with the World Bank, expand them to the entire public administration.

1.25 For the Treasury System, the results obtained with the World Bank were as follows: (i) automatic recording of resource and control

operations with data from collecting agencies; (ii) procedures for automatic banking operations and electronic communications with banks; and (iii) adaptation and conversion to accounting of current developments in treasury records. Under the proposed IDB program the objective is to consolidate the role of the Treasury as the financial administrator of the national government, with proper management of credit and financial investments based on a Single Fund System (reduction of more than 3,500 bank accounts to less than 10, with a significant reduction in operating costs), which guarantees transparency and reliable information.

- 1.26 For the Accounting System the following results were obtained with the World Bank: (i) preparation of execution manuals for resources and expenses; (ii) design of general information outputs; (iii) development of the manuals on automated bank reconciliation and government accounting. Under the IDB program, the objective is to raise the operation of the system to a more advanced level to ensure efficient execution of the public accounting plans and guarantee the output of management information for the entire National Public Administration, as well as consolidated fiscal information on the provinces and major municipalities.
- 1.27 For the Integrated Financial Information System (SIDIF) with the World Bank a computer system was placed in operation in the Department of Finance, linking the various component systems of financial administration. It should be completed in mid-1995. Under the proposed program, the objective is to operate the budget, cash flow, public credit, and accounting systems simultaneously in an integrated manner with a software design using appropriate data processing and communications infrastructure, covering the entire National Public Administration (at least 80% of the 126 administrative and financial services), able to handle all transactions and offer timely information on each of the financial administration components.
- 1.28 For the Asset Administration System, a reference prototype will be available, with World Bank support, in late 1994 or early 1995, to organize and subsequently manage the inventory of real estate. Under the proposed IDB program, the objective is to operate an organized and reliable system, transparent in the incorporation and disposal of assets, with technical and accounting methods of valuation and adequate maintenance of inventory, for the assets of national public agencies and stocks of consumer goods in a sample of 15 agencies.
- 1.29 In conclusion, the Program covered by this document supplements and consolidates the activities of the World Bank and other IDB loans with respect to modernization of the State system of financial administration, improving and simplifying the process of decision-making and control. It will also help to further interconnect the systems used by regulatory bodies, computerize the processes of financial administration, simplify procedures, automate operations,

and supply on-line, real-time information for use in decision-making or control. The aim of all of these decisions, legal and regulatory changes, and other measures is to help guide political decisions with reliable socioeconomic and financial information and to increase management efficiency within the agencies of the National Public Administration.

- 1.30 The World Bank programs have not included activities for the second and third components of the proposed IDB program: the strengthening of auditing and public administration, statistics, and national and international accounts.

4. Lessons learned

- 1.31 The experience gained in executing these Bank projects, as well as in similar World Bank projects, has shown operation design should take special account of: (i) the country's effective interest in, and commitment to, the objectives pursued; (ii) the level of institutional capacity available; (iii) a scale of action that is compatible with this capacity and the period of execution; (iv) the need to specify the interim and final indicators of success, which will also facilitate supervision of the operation during the various stages of its execution; (v) the need to develop a plan of action and a detailed timetable of activities, including the necessary documentation to manage the procurement and contracting (procurement packages, nature of the consulting services to be hired for each type of task, information systems for management of execution, terms of reference, specifications and conditions for the submission of bids during the first year, etc.); and (vi) a flexible design of operation which facilitates adjustment to existing political and institutional realities. The operation covered by this document is designed on the basis of these conditions.

D. Conclusion: purpose of the program

- 1.32 The main objective of the ten-year reform program is to create an efficient public administration using public resources correctly and offering services appropriate to the needs of the users and the community. Increased financial instability and a heating up of inflationary pressures beginning in 1987 produced a rapid deterioration in the financing and operating conditions of the public administration, which was reflected in five events: (i) the dilution of responsibilities connected with an overlap of competence and functions; (ii) a breakdown in the decision-making process and obsolescence of the administrative processes; (iii) disorganization of the financial administration with the consequent inability to program expenses and rationalize fiscal decisions; (iv) lack of reliable information for decision-making; and (v) the exodus of qualified management personnel and a proliferation of irregular practices. Beginning in 1989 the program of reforms was initiated with measures for cost containment, streamlining of the State's organizational structure, privatization and institutional

strengthening, with particular emphasis on the first two events mentioned above. Beginning with the economic stabilization program of 1991, the conditions are being created to reverse the other negative conditions mentioned.

- 1.33 The process of modernizing financial administration and generating reliable information for use in decision-making began in 1991, as described, and the operation proposed in this document will serve to consolidate the financial reforms while preparing for the new administrative reforms. The operation is designed to expand to the entire national institutional structure the progress already achieved in the area of financial administration, prepare baseline studies for the new organizational design of the State and its subsequent implementation, promote modern auditing and internal management control practices, and improve the quality of national accounting and statistical systems, for reference in decision-making. This should help to improve the economy, efficiency, and effectiveness of the State's resource administration with respect to expenditure and public investment planning and execution.

II. THE PROGRAM

A. Objectives of the program

2.1 The objective of the program is to improve efficiency and effectiveness in the use of financial, human, and physical resources by the public sector. The program includes measures to consolidate, intensify and expand the administrative and financial reform initiated in recent years by the Department of Finance, lay the groundwork for a continuation of organizational reform of the executive branch, improve the auditing and internal management control system utilized by SIGEN, and help to reorganize and strengthen the system of national and international accounts and statistics utilized by the Department of Economic Programming.

2.2 The specific objectives are:

- (i) to consolidate, intensify, and extend throughout the MEOSP and to the other ministries and public agencies the results achieved in recent years in the reform of financial administration, by developing systems and procedures for the administration of financial resources and the quantitative control of human resources; prepare the groundwork for the design of administrative reform of the State, both in terms of the necessary adjustments in the reform process currently under way, as well as the new structure emerging from the recent constitutional reform;
- (ii) improve the systems of internal control and auditing of the national public sector and its decentralized agencies and enterprises so as to establish incentives for a more efficient and effective administration of public sector resources;
- (iii) establish a system of reliable economic statistics in order to permit efficient programming of public spending and investment over the medium and long term.

B. Description

2.3 The Financial Administration Subprogram consists of activities to continue the financial reform initiated in the Department of Finance of the Ministry of Economy, Public Works and Services, which will be the executing agency for the project. The activities planned in this subprogram will consist of: (i) further technical advances in the budget and accounting systems and development of new techniques and procedures in the areas of cash flow, public credit, human resources, contracts and asset administration; (ii) consolidation and technical improvement of information and the

system of fiscal coordination with the provinces and municipalities; expansion of the SIDIF and other systems to all of the institutions of the national public administration; (iii) simplification of the internal management procedures for financial administration; and (iv) updating and revision, as necessary, of studies on the needs for readjustment of the organizational structure of the executive branch and its administrative procedures and the preparation of baseline studies for the new organizational structure of the public sector.

- 2.4 The Auditing and Internal Control Subprogram consists of the improvement of the auditing and internal management control system applied by SIGEN. The components of this activity include: (i) a definition of a new methodological and policy-setting platform for management and technical auditing procedures; (ii) training of personnel in the technical units; (iii) implementation of a system of record-keeping, filing, and procedures; and (iv) in particular, the organization of data processing and documentation centers.
- 2.5 The Accounting and Economic Statistics Subprogram, which will be executed under the responsibility of the Department of Economic Programming of the same Ministry, will support the reorganization, modernization, and strengthening of the system of national and international accounts and statistics. The main activities include: (i) reconstruction and modernization of the National Statistical System by establishing priorities and reevaluating the function of basic statistics; (ii) reorganization of the staff to increase efficiency and improvement in the consistency of information by means of interinstitutional and provincial coordination with specialized statistics providing systems; (iii) updating of the system of national accounts by initiating the process of adopting methodological criteria and recommendations under the United Nations' System of National Accounts (Revision 4); analysis and revision of methodologies and procedures; (iv) a diagnosis of the agencies responsible for generating basic statistics used in the accounts for 1986; (v) definition of criteria and methodologies for periodical estimations of the accounts at constant prices; (vi) development of input-output matrixes based on the economic census of 1994, and identification of data processing and communications equipment requirements; and (vii) strengthening and improvement in the quality of statistics in the international accounts based on the implementation of a specific balance of payments structure within the Ministry of Economy and the centralization of statistics prepared in the various public agencies.
- 2.6 To support all three of these subprograms work will be required for general coordination of the program, training and the installation/expansion of a data-processing system.
- 2.7 General coordination is necessary to ensure synchronized development of the various activities. This will consist of orientation, evaluation of results in relation to goals, and

contracting. A detailed description of this component appears in chapter III.

- 2.8 Since the proposed program incorporates relevant modifications not only in the development of technical and administrative methodologies and procedures but also in the professional requirements of the officials who must carry out the new tasks required by the changes planned, a training program covering the three subprograms described above has been included. All of the activities connected with this training will be coordinated at the global program level, so as to ensure attainment of the objectives, while avoiding overlap, counterproductivity, and gaps in coverage.
- 2.9 The activities will be carried out by the existing training centers in the various institutions, whose human and technical resources will be strengthened. In particular, seminars will be promoted to train personnel at the management and intermediate levels for the implementation of the new systems and methods to be developed. With respect to the provinces, efforts will be made to enter into agreements with universities so as to reduce costs and also interest these institutions in assigning students and professors to specific activities in the public administration. For each component a detailed execution plan has been prepared reflecting a matrix indicating the beneficiary entities of the training activities, courses, and seminars to be given, costs, timetables, expected results, etc.

C. Program cost and financing

1. Total cost

- 2.10 The cost of the program is US\$59 million equivalent, with the breakdown provided in the cost table shown below:

ESTIMATED COST BY SUBPROGRAM AND INVESTMENT CATEGORY (US\$000s or equivalent)				
	IDB	LOCAL	TOTAL	%
I. <u>GENERAL COORDINATION</u>	2,300	600	2,900	4.9
- Individual consultants	2,260	590	2,850	
- Equipment and systems	40	10	50	
II. <u>DIRECT COSTS</u>	39,000	9,750	48,750	82.6
2.1 <u>Financial Admin. Subprogram</u>	23,800	5,970	29,850	50.6
- Individual consultants	8,500	2,100	10,600	
- Consulting firms	11,540	2,920	14,460	
- Equipment and systems	3,840	950	4,790	
2.2 <u>Audit and Internal Control</u>	2,510	630	3,140	5.3
- Individual consultants	1,500	390	1,890	
- Consulting firms	410	100	510	
- Equipment and systems	600	140	740	
2.3 <u>Accounting and Economic Statistics</u>	12,610	3,150	15,760	26.7
- Individual consultants	10,090	2,520	12,610	
- Consulting firms	240	60	300	
- Equipment and systems	2,280	570	2,850	
III. <u>UNALLOCATED</u>	5,700	1,180	6,880	11.7
3.1 Contingencies	4,830	1,100	5,930	
3.2 General expenses not chargeable to subprograms*	870	80	950	
IV. <u>FINANCIAL COSTS</u>		470	470	0.8
4.1 Inspection and Supervision		470	470	
TOTAL	47,000	12,000	59,000	100
PERCENTAGES	79.7	20.3	100	

* PPF, related services, promotion and extension, etc.

The breakdown of these costs by investment category is as follows:

ESTIMATED COST BY INVESTMENT CATEGORY (US\$000s or equivalent)				
	IDB-OC	LOCAL	TOTAL	%
I. <u>INDIVIDUAL CONSULTANTS</u>	22,400	5,600	28,000	47.4
1.1 International	1,740	435	2,175	
1.2 National	16,440	4,110	20,550	
1.3 Travel	100	25	125	
1.4 Per diems	1,870	465	2,335	
1.5 Teaching hours	2,250	565	2,815	
II. <u>CONSULTING FIRMS</u>	12,200	3,070	15,270	25.9
2.1 International	3,020	770	3,790	
2.2 National	9,180	2,300	11,480	
III. <u>EQUIPMENT AND SYSTEMS</u>	6,700	1,680	8,380	14.2
IV. <u>UNALLOCATED</u>	5,700	1,180	6,880	11.7
4.1 Contingencies	4,830	1,100	5,930	
4.2 General expenses	870	80	950	
V. <u>FINANCIAL COSTS</u>		470	470	0.8
5.1 Inspection and Supervision		470	470	
TOTAL	47,000	12,000	59,000	100
PERCENTAGES	79.7%	20.3%	100	

2. Basis for cost estimates

- 2.11 The cost calculations were based on the market prices of the equipment and average fees for national and international consultants. For the consulting firms average overhead was estimated at 100%. The cost of the training component, estimated at US\$2.8 million, is included in the cost of the individual consultants by subprogram.
- 2.12 The resources from the first disbursement will be used to amortize: (a) all of loan PPF 807/OC-AR (US\$450,000) for the preparation of documents in support of the loan request; and (b) a portion of loan PPF 762/OC-AR (US\$100,000), to cover the cost of the services of individual consultants who would support the activities connected with the implementation of the program and the eligibility for loan disbursements.

3. Program financing plan

- 2.13 The financing would consist of: (a) a loan in foreign exchange from the Bank in the amount of US\$47 million (79.7%) chargeable to ordinary capital resources; and (b) the local counterpart equivalent to US\$12 million (20.3%). Since it is a technical-cooperation operation, it could be totally financed with Bank resources. However, it has been agreed that the government will contribute 20% of the resources as a means of confirming its commitment to the program.

4. Terms and conditions proposed

- 2.14 It is proposed that the proposed Bank loan be subject to the following terms and conditions:

Source of resources:	Ordinary capital (forex)
Amount:	US\$47 million
Amortization period:	20 years
Grace period:	4 years
Disbursement period:	4 years
Interest:	Variable
FIV:	1% of the loan
Credit fee:	0.75% of the undisbursed balance

D. Status of preparation

- 2.15 In preparing the program, two short-term technical cooperation operations were initially approved for diagnosis and conceptualization of the subprograms. Subsequently, through a PPF operation in the amount of US\$450,000, 22 consultants were hired to study specific aspects of the operation. Their work filled more than 50 volumes of reports (in the technical files of the Country Office), will provide detailed guidance for program execution. These efforts were accompanied by four Bank missions (two identification missions, one orientation mission and one analysis mission),

including an orientation seminar for all of the consultants involved in the program development process. The government designated a permanent preparation team, which worked with the consultants and with the various institutions involved in defining the program.

- 2.16 As a result, the activities for execution are defined in its organization, with a corresponding description of functions for the various levels, procurement timetables, contracting of services, terms of reference, prioritization of activities, detailed costs for each activity within each subprogram, etc. The execution, supervision and monitoring mechanisms (see chapter III, "Program execution", below), have been revised and agreed upon with the executing agency for the program. With the level of detail of information available, the program is ready to begin execution; the only thing left to be done is to reorder the existing information and prepare the legal documentation concerning compliance with the conditions precedent to the first disbursement, for which part of the US\$100,000 from an individual PPF operation already approved for such purposes will be used.

III. PROGRAM EXECUTION

A. Organization for execution

1. General coordination

- 3.1 General coordination of the program will be the responsibility of an executing unit especially created for the purpose, supervised by a high-level Executive Board composed of the Secretary of Finance, who will chair the committee, the Secretary of Economic Programming, the Comptroller General (SIGEN) and the General Coordinator of the program, who will serve as Secretary of the committee. The executing unit, led by a general coordinator, will be responsible for coordinating, supervising and monitoring the substantive aspects of the program as a whole. It will be assisted in this task by consultants for the areas common to each of the various subprograms (data processing, training, financial information, and legal aspects) and by a group responsible for administrative coordination. Annex III-1 provides an execution matrix describing the functions and modalities of execution and supervision of each of these units in more detail.
- 3.2 Given the innovative, dynamic, and flexible nature of the program and the degree of detail in its preparation, the executing unit will not have procedural manuals. However, it will ensure that its decisions and those of the Executive Board are duly recorded and disseminated, so they can serve as guidelines for the various co-executing agencies and as a reference for evaluation of the program. The executing unit for this program will work in close coordination with the corresponding unit of the World Bank program (its execution will conclude in 1995) in order to avoid duplication and benefit from the experience gained.

2. Organizational structure

- 3.3 The Department of Finance of the Ministry of Economy and Public Works and Services will have general responsibility for program execution. The Executive Board will have the following functions: issue the orientation guidelines necessary for execution of the program in accordance with the terms of the contracts; approve the annual plans and annual reports; verify the progress of the program; issue corrective norms when necessary; analyze adjustments and changes in the design and/or approach; and approve its presentation for consideration to the Bank.
- 3.4 The executing unit will be responsible for executing, managing, and generally coordinating the program under the responsibility of a General Coordinator (the unit will consist of about ten persons); it will issue the instructions to be applied generally as well as specifically to each subprogram, to the extent that they are

necessary; it will prepare the annual plans and reports estimating in advance the resources necessary to continue the program; it will authorize the financial activity of the program and supervise accomplishment of the objectives in terms of the specific indicators adopted.

- 3.5 In order to ensure efficiency of operation, the executing unit will not transfer funding, but will make transfers in kind (i.e. resources in the form of equipment, consulting services, etc.). Consequently, the executing unit will have an area for administrative coordination which will: advise the responsible officials for each subprogram with respect to procedural aspects of the operation; process the hiring of consultants, the awarding of contracts, and disbursement requests; maintain financial and statistical records; and coordinate and prepare the periodical reports.
- 3.6 Responsibility for the specific execution of the subprograms will be assigned as follows: the Department of Finance for the Financial Administration Subprogram, the Department of Economic Programming of the same Ministry for the Accounting and Economic Statistics Subprogram and SIGEN, under the authority of the Presidency of the Republic, for the Auditing and Internal Control Subprogram. Each of the subprograms will be supervised by a specialized committee and will have a coordinator responsible for its execution (about 3 to 5 persons each). These committees, which will exercise technical supervision in conjunction with each coordinator, will be led by the highest authorities of each of the co-executing agencies and will have responsibility for supervising application of the existing norms for execution of their respective subprograms; monitoring progress; proposing to the Executive Board appropriate corrective measures; and recommending the necessary adjustments to bring the work into line with the realities encountered, without straying from the original objectives.
- 3.7 The coordinators of each subprogram, with the guidance of their respective committees, must: execute supervision of the subprogram, verifying application of the methodologies and procedures approved; identify the requirements of training courses and consultants for timely contracting; program the procurements identified; and participate in the processes of prequalification and selection of suppliers.
- 3.8 In the particular case of the SIDIF, coordination will be performed by a group composed of:
 - General Coordinator: Decision-making authority with respect to all activities connected with the project. Responsible for ensuring coordination between the development team and the areas involved in the various stages of system implementation.
 - Data Processing Coordinator: Responsible for activities connected with data processing, such as development, methodology,

platform, and implementation. Responsible for project software and coordination of the technical consultants hired to develop the modules and for the identification and installation of necessary equipment for the basic program and the communications network.

- Coordinator of Methodology: Responsible for activities connected with the development of design standards and procedures, user documentation and training, in connection with development of the SIDIF. Must work closely with the lead offices - the Oficina Nacional de Presupuesto [National Budget Office] (ONP), Tesorería General de la Nación [General Treasury of the Nation] (TGN), Contaduría General de la Nación [National General Accounting Office] (CGN), Oficina Nacional de Crédito Público [National Office of Public Credit] (ONCP), Oficina Central de Contrataciones [Central Contracting Office] (OCC), and Subsecretaría de Administración de Bienes [Deputy Secretary for Asset Administration] (SAB) - and with the Servicios Administrativos Financieros [National Administrative Services] (SAF) and the Unidad de Gestión [Management Unit] (UG).
- Training Coordinator: Responsible for all training and extension activities. Will work closely with the training centers in the participating entities.

- 3.9 Given the nature of the activities to be conducted under the Accounting and Economic Statistics Subprogram, this subprogram will have three subcoordinators who will work with the subprogram coordinator in monitoring the activities of INDEC, National Accounts and International Accounts respectively, since these three areas are independent of the Department. This mechanism will ensure proper coordination, since even though the activities have in common the fact that they work with statistics, they are characterized by very different uses and methodologies of compilation and processing.

B. Execution mechanisms, supervision, and evaluation

- 3.10 The plan for program execution agreed upon indicates four years for coordination, supervision, and monitoring activities and for the Accounting and Economic Statistics Subprogram. The Financial Administration and Auditing and Internal Control Subprograms would be of shorter duration.
- 3.11 There are three formal mechanisms for monitoring: evaluation meetings; a monitoring system; and the Annual Program of Execution and Evaluation. These instruments, which are summarized in the tables contained in Annex III-3, include semiannual evaluation meetings for each subprogram attended by the General Coordinator, the subprogram coordinator concerned, and a representative of the agency receiving support. The Bank, too, may be represented at these meetings. These meetings will evaluate progress in carrying

out the activities, study problematic situations, define remedial measures if necessary, and revise the Annual Program of Execution and Evaluation. A key element for this evaluation consists of the performance and impact indicators which have been agreed upon in principle and will be refined in the first Annual Program of Execution and Evaluation and during the course of program execution as experience is gained.

3.12 The monitoring system includes the release of periodical reports (monthly, quarterly and semi-annual) covering financial statements, the bidding timetable, consultants' reports, the training program, etc.

3.13 Finally, each Annual Program of Execution and Evaluation will record the variations produced during execution according to the observations of the supervisors of each subprogram in order to inform the Bank, take corrective measures if necessary, and collect the basic background information for preparation of the following Annual Program of Execution and Evaluation. This annual program, like the initial report for the first year, must contain, as a minimum, the following information:

- Annual work program, including the timetables for hiring consultants and procuring equipment, terms of reference and specifications, objectives to be achieved during the period, annualization of goals, and a plan for providing resources to the execution and coordination units.
- Evaluation of the results obtained during the previous period and recommendations to improve the effectiveness of the program.
- Analytical description and justification of the changes agreed upon in designing and organizing execution of the operation during the preceding period.
- Updating of the performance and impact indicators based on the experience gained and new needs identified.
- Activities carried out in pursuit of environmental goals in the national government agencies and development of SIGEN's capacity to audit public agency compliance with environmental provisions, in coordination with the Department of Natural Resources and Human Environment.
- Activities conducted in maintaining the data processing systems and equipment.
- Brief description of the main changes made or planned in the structure, personnel, and operational procedures used in executing the program.

- 3.14 The midyear progress reports will be similar in content (review of the past six months and updating for the subsequent six months, but with interim financial statements), and will enable the Bank to take preventive or corrective measures as necessary. The annual reports and the midyear progress reports will be submitted no more than thirty days after the close of the financial period coinciding with the calendar year or half-year (see agreement). The first progress report and the annual report may cover a transition period. These reports will be submitted during program execution.
- 3.15 Presentation of the first Annual Program of Execution and Evaluation will be a condition precedent to the first disbursement (see agreement).
- 3.16 During execution of the program, unforeseen situations may arise, and must be dealt with by the Executive Board. When the Committee must meet formally to consider these situations or to propose changes in the plans agreed upon or in the design of the operation, the Bank will be invited and will be sent an agenda at least seven working days prior to the meeting. The approval of these changes will require submission of a report to the Bank in justification of nonobjection (see agreement).
- 3.17 This execution mechanism will ensure a streamlined strategic decision-making process since it will provide for flexibility in adapting the program to changing situations.
- 3.18 The ex post evaluation of the program will be conducted to the Bank's satisfaction by the borrower taking into account, inter alia, the semiannual evaluations submitted and a final evaluation to be carried out one year after the completion of execution. The corresponding report will be submitted to the Bank no more than two years after completion of the program (see agreement).
- 3.19 The Bank will monitor the operation by approving the periodical and special reports sent to it, participating in the meetings to which it is invited, and conducting whatever inspection visits it considers necessary. Since the work of the consultants takes the form of specific action in the implementation of the program, it is not expected that the Bank will approve individual reports, but will confine itself to approving the results of program execution. It is expected, given the great diversity of tasks and the specialization of a number of subjects in which the country office does not have the necessary capacity, consultants must be hired on an as-needed basis to support supervision of the operation. The requirements have been estimated tentatively at 1 1/2 man-months per year. The project team may even conduct field visits during the first year.

C. Legal instruments for execution

- 3.20 The Ministry of Economy and Public Works and Services must issue a resolution to authorize the establishment of, and provision of resources to, the following units: the Executive Board, the General Executing Unit and the Subprogram Committees of the Departments of Finance and Economic Programming.
- 3.21 To permit the participation of SIGEN in program execution (SIGEN has its own legal personality, under the authority of the Presidency of the Nation), an agreement will be signed between SIGEN and the Ministry of Economy and Public Works and Services, as executing agency, establishing the obligations of both parties. SIGEN must also issue appropriate resolutions to establish the functions of, and supply resources to, the subprogram coordination unit.
- 3.22 Signature of these instruments, establishment of, and the provision of resources to, the Executing Unit, and the coordinating mechanism for the subprograms for program start-up will be conditions precedent to the first disbursement (see agreement). The drafts have already been agreed upon and signature is pending a presidential decree authorizing signature of the agreement with the Bank.
- 3.23 To participate in the program, interested provinces will sign agreements with SIGEN and the Department of Finance. This participation will permit the efficient exchange of information between the provinces and the national government, but participation by the provinces is voluntary and at no time is it critical to the operation's success.

D. Procurement of goods and consulting services

- 3.24 Bank procedures will be followed for the procurement of goods and the hiring of services financed with loan resources, and will form an integral part of the loan contract.
- 3.25 However, given the large number of consultants required for the program and as a means of speeding up the program and making supervision by the Country Office easier, it is recommended that the requirement of prior consultation with the Bank be retained only for contracts valued at more than US\$50,000 in the case of individual consultants and at more than US\$100,000 in the case of consulting firms. The general terms of reference for each group of services will have to be approved in advance during the analysis of the operation as a condition precedent (see paragraph 3.15) or the periodic reviews (paragraph 3.13). The Bank will verify the entire process followed by the executing agency by means of periodic samples, for which purpose the Agency will make the necessary documents available to the Bank during the disbursement period. For contracts valued at less than the amounts specified above, a review will be conducted every six months of a sample of 20% of the value

of the contractual services rendered. Should any discrepancies be found, the following steps will taken: (i) disbursements under these contracts will be suspended; (ii) amounts previously disbursed will be deducted from future disbursements to be made under these contracts; and (iii) any other action considered appropriate will be pursued.

- 3.26 The goods to be procured consist of data processing equipment: computers (both servers and stations), network equipment ("routers", "bridges", interfaces, etc.), printers, and scanners, at a total cost of US\$8.4 million. In some exceptional cases the United Nations Development Program will be used as purchasing agent and will observe the Bank's procurement procedures, which are set forth in an annex to the loan contract.
- 3.27 Individual consultants will be hired at a cost of approximately US\$28 million (including travel and per diems). This amount represents nearly 3,900 man-months, distributed among 230 different consultants, of which approximately 100 will be hired for periods of more than one year, including no fewer than ten for the four years of execution.
- 3.28 The individual consultants will perform work connected with the design, development, and implementation of the program and are therefore entirely incremental and a direct result of the program. These consultants will not perform routine or repetitive work, which will be the responsibility of the staffs of the various units. In order to benefit most from the experience gained, preference in staffing positions to be created as a result of the program will be given to the consultants, once their work is completed.
- 3.29 The consulting firms will be hired at a cost of US\$15.3 million and will be fully responsible for developing the cash flow, public credit, contracting, goods and services procurement, property management, document management, institutional development, and provincial fiscal information systems, as well as studies on the organizational structure of the State, financial information systems, and the national cartographical plan. All of the consulting firms, regardless of the source of resources, will be hired through international competition, and for the individual consultants, no restrictions will be imposed as to nationality. The bidding process will take place in accordance with the following timetable:

BIDDING TIMETABLE (Amounts in US\$000s thousand equivalent)						
Fund	1st half 95	2nd half 95	1st half 96	2nd half 96	Total	%
IDB-OC	1,460	1,470	3,480	290	6,700	79.9
Local counterpart	370	370	870	70	1,680	20.1
TOTAL	1,830	1,840	4,350	360	8,380	100.0

TIMETABLE FOR HIRING CONSULTING FIRMS (Amounts in US\$000s equivalent)						
Fund	1st half 95	2nd half 95	1st half 96	2nd half 96	Total	%
IDB-OC	4,030	3,330	2,560	2,280	12,200	79.9
Local counterpart	1,010	850	640	570	3,070	20.1
TOTAL	5,040	4,180	3,200	2,850	15,270	100.0

- 3.30 The general procurement notice has been agreed upon for the bidding on equipment and the notice of consulting services contracting for the consulting firms, which will be published in the United Nations' Development Business.

E. Disbursement timetable

- 3.31 The timetable for disbursements was prepared based on the four-year execution period, as indicated in the table below. The periods are from the date of the first disbursement.

DISBURSEMENT TIMETABLE (Amounts in US\$000s equivalent)						
Fund	Year 1	Year 2	Year 3	Year 4	Total	%
IDB-OC	17,500	19,200	7,500	2,800	47,000	79.7
Local counterpart	4,500	4,800	2,000	700	12,000	20.3
TOTAL	22,000	24,000	9,500	3,500	59,000	100.0

F. Maintenance of the equipment, programs, and applications

- 3.32 Once the supplier's guarantee period has elapsed, the equipment and basic programs will be maintained through extensions of the existing maintenance contracts in the different institutions. Maintenance of the applications (systems to be developed) will be performed by the data processing consultants hired for that purpose, who will participate in the project as from the period of implementation of the SIDIF modules. On completion of program execution, maintenance of the systems will be entrusted to the data processing units. Monitoring of these activities will be conducted through the annual plans mentioned above.

G. Recognition of expenses

- 3.33 The executing agency has incurred a series of expenses with consultants for preparation of the program. The amount of the expenses from March 14, 1994, to the estimated date of approval of the operation is calculated at US\$500,000 equivalent. Consequently, it is recommended that these expenses be recognized as

chargeable to the local counterpart, given that the procurement or contracting will have been in accordance with requirements substantially similar to those recommended in the agreement.

H. Environmental impact

- 3.34 In accordance with the recommendation of the CMA at its meeting on October 26, 1993, it was agreed with the Argentinean authorities that: (i) the agencies of the national administration must explain, as appropriate, the environmental goals to be accomplished and the costs involved in accomplishing them; and (ii) the institutional strengthening activities of SIGEN will include the development of environmental auditing capacity enabling it to review, in coordination with the Department of Natural Resources and Human Environment, compliance with the applicable environmental provisions by the public agencies concerned.

I. Participation of women in the program

- 3.35 In the terms of reference for the training consultants, it will be expressly specified that in designing the courses the necessary provisions must be made to ensure that women members of the staff for whom the program courses are designed will have the possibility to participate in the fullest possible manner, taking into account scheduling requirements, for example, and taking care to ensure that the promotion campaigns are directed in particular to promoting the participation of women in the different courses. Similarly, an appropriate level of participation by women in the various activities of the program will be ensured by designating officials who must participate in courses, take part in internships abroad, etc.

J. Accounting and financial information on the program

- 3.36 The agencies responsible for executing each subprogram will be required to supply information on the transactions effected with program resources. Accounting classification of these transactions will be in accordance with the chart of accounts which will be provided in due course by the executing unit.
- 3.37 The annual financial statements of the program will be prepared by the executing unit of the program at the close of each fiscal year and audited by the National General Auditor. They must be submitted to the IDB for consideration within one hundred and twenty (120) days of the close of each financial period (see agreement).

IV. THE BORROWER AND THE EXECUTING AGENCIES

A. Borrower and guarantor

- 4.1 The borrower and guarantor for the proposed operation will be the Argentine Republic, which must contribute counterpart resources through special budgetary allocations.

B. Executing agencies

- 4.2 The executing agency for the program will be the Department of Finance of the Ministry of Economy and Public Works and Services. The subexecuting agencies will be the Department of Finance, the Department of Economic Programming and SIGEN, whose composition and functions in respect of the program are described below.

1. Department of Finance

- 4.3 This Department, which will be responsible for general execution of the program and the Financial Administration Subprogram, is composed of four subdepartments: of these, the Budget, Provincial Fiscal and Economic Relations, and Property Administration subdepartments will participate in the program. The main functions and responsibilities of this department are: financial administration of the national public sector through the budget, cash flow, accounting, and public credit systems; coordination of budgetary and financial administration of national public expenditures; and fiscal, budgetary, and economic relations between the national, provincial, and Buenos Aires municipal governments. In addition, it must coordinate the administration and control of internal and external public credit and participate in the administration of projects financed by multilateral international organizations.
- 4.4 Between each budgetary program and the Department of Finance is a nexus of SAFs located in each of the 126 public sector entities (universities, centralized and decentralized agencies) whose functions are as follows: programming and evaluation of budgetary administration of each entity; administration of the treasury and accounting systems; and the administration of human resources and public assets and Contracting. As subordinate entities in the subdivisions in the entities mentioned, there are approximately 1,400 management units (UG).

2. The Department of Economic Programming

- 4.5 The Department of Economic Programming, which will be responsible for execution of the Accounting and Economic Statistics Subprogram, is composed of three subdepartments and the INDEC; the subdepartment for Macroeconomic Programming with its National Directorates of National Accounts and Balance of Payments, and the

INDEC will participate in the program. This department develops and proposes instruments for the programming and analysis of economic policy. It performs systematic monitoring of the global, sectoral, and regional economic situation and evaluates and proposes priorities for public investment projects and programs with external financing. In addition, it coordinates the application of deregulation policies both for the internal procedures of the administration and for the functioning of the private economy. In addition, it manages the national statistical system and the national census; it develops socioeconomic statistics and coordinates with the system of national accounts and balance of payments.

- 4.6 In particular, the INDEC, which will be the executing agency for the modernization of economic statistics, is composed of various directorates, assistance, national and international consultants, to conduct its work and as its fundamental objective to orient and administer all of the official statistical activities conducted on national territory. In addition, it manages the national statistical system for which it prepares the annual statistics program and the national census and ensures their implementation through the production of basic statistics.
- 4.7 The institutional evaluation of the INDEC noted weaknesses in its organization and the need for its reorganization was established. Particular attention was called to the assignment of priorities with respect to statistics to be developed and the strategy for doing so. Similarly, it was established that it will be necessary to strengthen general statistical methodologies and improve information records. Accordingly, corrective activities for the institutional strengthening of the INDEC have been included in the subprogram.

3. SIGEN

- 4.8 SIGEN, which will be responsible for execution of the Audit and Internal Control Subprogram, is an entity with legal personality and administrative and financial autonomy under the authority of the President of the nation (Article 97 of Law 24,156). Its purview covers internal control of the jurisdictions that comprise the national executive branch and the decentralized agencies and State enterprises and corporations are under its authority, its methods and working procedures, guidelines and organizational structure (Article 98) of the same law. In this context, the system of internal control consists of SIGEN, the policy-setting body, supervision and coordination and the internal audit units (UAI) created in each jurisdiction and in the entities under the authority of the national executive branch (Article 100). These units come under the authority of each agency and will be coordinated from a technical standpoint by SIGEN. To fulfill its commitment, SIGEN is composed of the Comptroller General of the Nation, the Deputy Comptroller General and their offices.

- 4.9 The main functions of SIGEN are: to conduct financial, legal and administrative audits, special investigations, financial verifications, establish the requisites for technical quality for the personnel of the UAI's; approve the work plans of the UAI's and supervise the results. In addition, it must respond to requests for advisory assistance made by the executive branch and the authority of its jurisdictions.

4. Capacity of the co-executing agencies

- 4.10 During the identification, definition, and preparation of the pertinent components of each of the subprograms under the responsibility of the departments mentioned and of SIGEN, the counterpart personnel of the consultants who gave advice in these tasks showed adequate technical and professional capacity. The officials assigned, which could eventually act as national counterpart at the level of each participating entity, participated actively in the preparation of the basic background information, the design and definition of the components, the timetables and the terms of reference for all of the activities that will be conducted in each subprogram.

V. JUSTIFICATION OF THE PROGRAM

A. Justification

- 5.1 The scarcity of timely and reliable information; the lack of proper instruments, both analytical and operational, for converting public policies into concrete actions; and the inadequacy of the processes of resource administration have become obstacles to management. This project will help to minimize these obstacles, and therefore improve the conditions for public administration, on several fronts: integrating public institutions under a system of fiscal and financial resource administration that guarantees efficiency and transparency; improving the quality, quantity and timeliness of the statistical information as a fundamental basis for guiding public sector policies, and offering public sector managers an instrument enabling them to evaluate institutional performance according to the criteria of economy, efficiency and effectiveness.
- 5.2 In addition to these general benefits resulting from better decision-making, there are direct, tangible, short-term benefits, such as improved profitability and reduced liquid resource requirements for the State in consolidating nearly 3,500 separate accounts into a single fund, improving the synchronization of cash inflows and outflows and establishing competitive mechanisms for procurement and contracting of goods and services by the State, with better control over their use.
- 5.3 It is hoped that, at the conclusion of the program, the result will be an integrated system of resource management throughout the national administration, which optimizes the processes of allocation, use, accounting, control, and evaluation by means of modern methodologies and a real-time information network. Another result will be baseline studies for organization of the executive branch; another expected result is a statistical system providing integrated, timely, reliable, and complete information on general statistics and national and international accounts; finally, an internal management evaluation process will be developed that will permit public sector managers to improve their operations programming, resource allocation, and policy implementation processes.

B. Institutional feasibility

- 5.4 The participating entities have been carrying out similar tasks to those provided for in this program, but with less intensity, so they have the necessary basic experience. However, the program requires greater technical input and attention to the effects of a substantial increase in the volume of activities. It is therefore necessary to hire a large number of consultants, which will require careful coordination. The organizational structure has been

designed taking these special conditions into account, creating coordination units for each subprogram under the general coordination of the executing unit which will also be responsible for resource administration (including contracting and procurement). The work will be carried out by consultants supervised directly by the departments and subdepartments involved and by INDEC and SIGEN. This approach will ensure coordination and distribution of the increased workload to units with the capacity to absorb it.

- 5.5 In addition, in order to contend with the dynamics of execution and the need to make changes based on the experience gained and the changing circumstances, each subprogram has a strategic management committee and the program as a whole is under the management of the Executive Board. This strategic-coordination-execution approach to management will make it possible to maintain the necessary control over the allocation and use of program resources and are indications that the program will be feasible from an institutional standpoint.
- 5.6 Even if the need for reform, especially in the structure and functions of the public sector units is very broad, the approach and the field of application of the program have been limited to areas within the purview of the departments of the Ministry of Economy and SIGEN. The purpose is to minimize the need for coordination and potential conflicts and thereby improve the institutional feasibility of the program.

C. Technical feasibility

- 5.7 The program is designed as a consolidation of the process of financial administration reform begun in 1991 and which to date has produced significant results with respect to programming and control of public expenditure, based on regulatory centralization and operational decentralization. In terms of administrative reform, progress has been continuous and the program only includes baseline studies that may give rise to other Bank support operations.
- 5.8 The budget and accounting systems, which receive considerable support in areas such as budgetary formulation and the development of integrated accounting, will be consolidated by means of mechanisms for the physical and financial evaluation of budgetary performance and the generation of information for decision-making. Other relatively weaker systems, such as cash flow and public credit, will receive considerably more support in pursuing the objectives of effective-management in the public treasury, organization of cash flow with budgetary execution through financial operations, the administration of public debt and debt management in response to changing conditions in world financial markets.
- 5.9 The Economic Accounts and Statistics Subprogram is based essentially on the simultaneous and coordinated nature of the

activities conducted to improve the collection of basic statistics and the development of systems of national and international accounts based on them. Those activities will be conducted for the first time under the authority of a single administrative body, the Department of Economic Programming. Another relevant aspect is the support provided in training and above all in the continuation of technological improvements, for example in cartography and in the provincial communication network and the commitment of local authorities to gradually and selectively integrating into the permanent staff some of the national consultants working on the program.

- 5.10 The SIDIF is an information system based on the concept of "on-line, source-based single entry transactions". Consequently, its activation will provide all executing units with administrative, economic and financial data (all of the SAF's and the UG's, approximately 1,500). The implementation strategy identifies and incorporates these units into the system. In addition, it provides access to, and use of, the SIDIF, given its operational characteristics, official registration of administrative, economic and financial data - and its design includes clear rules with respect to user identification, profile, and access.

D. Risks of the operation

- 5.11 The main risks of the operation stem from the possible changes in the persons responsible for the strategic direction of the program and the dynamic of rapid institutional changes that have been occurring as a result of the reform of the State and those which will occur as a result of the implementation of the recently approved constitutional reform (August 1994) and of the presidential elections (mid-1995). In order to minimize these risks, the program has been designed to achieve very specific objectives but with flexible execution mechanisms which permit changes in the activities and processes to achieve them, permitting the adaptation of activities to political and institutional reality, with the strategic participation of the Bank in important decision-making. It should be noted that current salary levels in the public sector have become more competitive with those in the private sector, which is helping to improve personnel retention.
- 5.12 Furthermore, because of the large number of consultants and entities affected by the program, some of the conditions for its success are beyond its control. This risk has been minimized in the design of the operation by restricting its field of action to activities under the direct or indirect supervision of only two departments of the Ministry of Economy and of SIGEN, establishing a strong coordination unit and detailed mechanism for periodical, tactical and strategic review.
- 5.13 Another risk consists of possible flaws in the direction and management of the program. In order to control this risk, the

program has been structured so as to achieve gradual progress, without anticipating completion, with emphasis on information systems and processes that will become independent of strategic management once they are under way, developing an institutional memory. In addition, the supervisory process includes continuous evaluation of progress by means of a matrix of performance impact indicators which even as it is updated on the basis of experience, indicates pertinent corrective measures.

- 5.14 From the technical point of view, it is indispensable for the information system, which must operate on the basis of real-time transactions, to have sufficient response time and access to efficient communications. There is a risk that the number of users and their geographical dispersal will make operation of the system difficult. This risk has been taken into account by adopting a distributed design of the main data bases of the system and of the topology of the communications network architecture.
- 5.15 In particular, for the Statistics and National Accounts Subprogram, success will depend on the capacity of the institutions receiving technical cooperation assistance to absorb transfers of technology and methodology and implement them effectively. The continuity of the program over the long term is ensured by the commitment of local authorities to gradually and selectively integrating some of the national consultants assigned to the program. The inability to retain consultants constitutes a risk for the operation. Within the project teams, consultants and staff members will be working side by side in order that the latter can be trained and can assimilate the new technologies.
- 5.16 In the case of the INDEC subcomponent, another risk is one of excessive scale and/or dispersal of efforts. To minimize this risk and to improve the feasibility of the subprogram, a planning consultant will provide support to the INDEC during program execution in prioritizing the operations to be conducted.
- 5.17 The quality of the final product would be ensured by the possible participation of international organizations specialized in statistics, such as ECLAC and the IMF.
- 5.18 Finally, there is a risk that stems from resistance to change. To minimize this risk, the operation includes an extensive human resource development program which, in addition to training in new methods and systems, includes processes for participation in the design of change and seminars to overcome resistance and help facilitate implementation.

GLOBAL MATRIX OF INDICATORS

INDICATORS:	OBJECTIVES 1995/1998	PROCESS	ACHIEVEMENTS AND IMP
<p>tem</p> <p>the budget system reorgan- entire annual planning and ecution system from a regu- procedural standpoint, guid- entire institutional system new conceptual and regulatory ed on Law 24156.</p> <p>s also made in integrating n the central development of</p> <p>World Bank cooperation the re achieved: (i) methodolo- regulatory improvement of and revision of manuals; ubsection for projecting and determining financial (i) the incorporation within grams of the indication of ls; and (iv) the definition es for physical/financial f budgetary programs.</p>	<p>Application throughout the entire budgetary system of the budgeting by program technique, integrating it with the rest of the financial and physical resources management systems. All the budgeted social and economic programs will be operating under follow-up and physical/financial evaluation methods and transparent planning and allocation of resources, with cost parameters and complete development of the system through- out the institutional environment of the National Public Administration.</p>	<ul style="list-style-type: none"> - Organization of technical group in the ONP to direct the develop- ment and application of the physical/financial evaluation technique in agencies managing social and economic programs. - Technical adaptation of proce- dures and manuals, incorporating requirements of physical/financial evaluation system and its opera- tion in agencies of the Public Administration through SIDIF. - Design and implement the output system for data on follow-up and evaluation of results from the management of budgeted programs, in all agencies. - Support for technical adapta- tions in SIDIF in the advances made with respect to subjects indicated above. - Gradual development of training programs in conjunction with the remaining systems of Financial Administration and MAGEP. 	<ul style="list-style-type: none"> - All agencies of the Nati Administration are correct the standards, regulations dures of the System in the ning and execution phases, budget by program technique ing through SIDIF. - All programs conducting with social and economic obj operating under methods of f financial/physical evaluation internal data on costs. Thi not exclude the inclusion of grams at this level of work. - In about 60 selected bud grams, management will be under the approach delegatin powers to a managerial level control of responsibility for and results.

INDICATORS:	OBJECTIVES 1995/1998	PROCESS	ACHIEVEMENTS AND IMPACT
<p>System</p> <p>the treasury system adapted operations to the operational requirements imposed by budgetary and accounting provisions of Law 24156 and initial phase of operations of F.</p> <p>operation of World Bank, the are achieved: (i) automatic resource and control operational data from collecting agencies; procedures for automatic operations and electronic communications with banks; and (iii) adaptation to accounting of developments in treasury</p>	<p>Operation of the TGN as a financial and fiscal administration, with correct management of resources and allocation of funds, based on the Single Fund System (replacing more than 6,000 bank accounts with a few accounts, with a significant reduction in operational costs), with guaranteed transparency and reliable data.</p>	<ul style="list-style-type: none"> - Parallel development of the organic restructuring of the TGN and its relations with the Treasury services in all agencies of the National Public Administration. - Organization and gradual implementation of the Treasury's Single Fund System. - Development of capacity and applications in the area of financial planning and cash budgeting, establishing the technical base for the work of the Financial Administration Committee. - Structuring of Procedural Manuals for the new system in the area of resources and payment administration. - Development and implementation of the TGN's capacity in the area of financial management with respect to policies on capture and allocation of resources, in coordination with the Public Credit and Financing System. - Organic development of specific, joint training programs with the other systems of Financial Administration. 	<ul style="list-style-type: none"> - Single fund system operating direct relationship of the financial agent or agents administering internal accounting budgetary and fund management agencies of the National Administration. - The TGN totally restructured to carry out the functions to it by Law 24156, operating financial administration in the management of resources and the National Public Administration.

INDICATORS:	OBJECTIVES 1995/1998	PROCESS	ACHIEVEMENT AND IMP
<p>Public Credit</p> <p>, in the National Public Credit Office of the Treasury Department to the new standards of Law system ordering all public debt was developed in line with on restructuring and refi- debt and the planning of the link for later integration</p> <p>the Department of Finances, Insurance was organized and tions in the area of data and ation, capital placement, public sector participation markets.</p>	<p>- Develop and make operational an integrated system to efficiently handle negotiation, orderly participation in the capital market; administration and control of public debt.</p>	<p>- Organization of the SAF Unit of Public Credit and the Operations Directorate of this system within the National Public Credit Office.</p> <p>- Integration of public debt adminis- tration within the SIDIF system, with the technical definition of its rela- tionship to other Financial Administra- tion Systems.</p> <p>- Definition and implementation of activities intended to gradually improve the capacity to negotiate and to design debt policies, coordinating the activities of the Treasury Depart- ment and the Department of Finances, Banking and Insurance.</p>	<p>- Operation of Public Credit in the direction of the Treasur and the Department of Finan and Insurance, under condi- tions allowing for debt man- for systematic updating of the debt - integrated with SIDIF (Financial Information System) tions allowing for debt man- sufficient ability to renegot- as efficient State participa- capital market.</p> <p>- Attained the operation essential for planning the improving the debt profile risk rate levels attractive institutional investors, financial demand at competi- achieving a clear definit- maturity curve for each debt</p>
<p>Accounting System</p> <p>4, the General Accounting the Nation restructured and ration a new Basic Catalogue that operates on the basis tured on transactions from systems and from each agency. d the organic and technical start its work as the agency of administering the central base and the first stage of pursuant to the responsibil- ed to it by Law 24156.</p> <p>World Bank cooperation, the ere achieved: (i) prepara- als on resources and expen- execution; (ii) design of ormation outputs; (iii) prep- automatic bank reconciliation Government Accounting manual.</p>	<p>- Institutionalize an advanced Account- ing System to support all public manage- ment, as efficient agency in charge of Public Accounting Plans and guaranteeing the output of data at all levels, par- ticularly for reference of the country's public operators and economic and social organizations.</p>	<p>- Definition and implementation of technical adaptations derived from advances and changes planned for the period 1995-1998 in the Budget, Treasury and Public Credit systems and the relationship with transactions derived from the management of contracted human resources and assets administration.</p> <p>- Definition of technical adaptations of SIDIF and the data bases supporting its operation, with respect to changes in these systems and the link between the CGN and the SAFs of the agencies of the entire National Public Administration.</p> <p>- Gradual development of implementation of the Accounting System in all the SAFs.</p>	<p>- Accounting system operatin the National Public Admini- agency in charge of an integ- cial information system supporting daily administra- follow-up and evaluation at a policy, executive and operati- sibility; its control and a- the structure of public a- national and international general information purposes by institutional spheres and at the country level.</p>

INDICATORS:	OBJECTIVES 1995/1998	PROCESS	ACHIEVEMENTS AND IMPACTS
<p>Financial Information System</p> <p>progress was made in the phase at the central level department and Central Systems (national administration). With the operations of SIDIF as a the beginning of 1995, organizational prototypes will be for administrative and services in four agencies and plans to incorporate fiscal provinces based on the work area in the Under-Department of Economic and Fiscal</p>	<p>To have a system based on advanced computer and communications infrastructure to support efficient financial administration throughout the entire National Public Administration and appropriate links with fiscal information from Provinces and Municipalities, correctly integrated with public management as a whole (MAGEP) in all aspects related to personnel administrative services, contracting and assets, and data output for management, control and evaluation of public sector activities.</p>	<ul style="list-style-type: none"> - Incorporation of technical changes derived from new developments in the area of central systems of Financial Administration, and connection with the master network that constitutes the MAGEP. - Development of Communications System and technical linkage among the various SAFs (considering specific complexities according to the size of transactions in each, the eventual need to development employment positions broken down locally, and the specific nature of each function). - Development and implementation of technical solutions for links between SIDIF and the National/Provincial Financial Information System. 	<ul style="list-style-type: none"> - Integrated and simultaneous of four previously mentioned administration systems, with design and adequate computer communications infrastructure throughout National Public Administration (at least 80% of the administrative and financial services agencies), under conditions transactions and provide information on all the components management. - Integrating a "master management" making its joint operation visible to maximize the quality of general management, with adequate linkage of the financial resources and services and the physical administration services (hiring and assets).
<p>Human Resources Management System</p> <p>human resources management in the most related to financial administration (employment and salary administration management salary scales, hiring and employees) was defined at the level (National Directorate for Employment and Salaries) and design and was begun on a prototype of SIRHU in four agencies of administration.</p>	<p>Operate through SIRHU (administered by the National Directorate for Employment and Salaries) the management of these resources in all agencies of the National Public Administration, in an orderly way so as to be able to control the financial costs effects and their efficient application for results.</p>	<ul style="list-style-type: none"> - Gradual implementation of system prototype (currently under development) in all agencies of the Public Administration, with intensive support of training activities for system technicians and operators in each institution. 	<ul style="list-style-type: none"> - The SIRHU operating through aspects of personnel administration assigned to budgetary programs in agencies - at the level of (Administrative and Financial). This operation is integrated with financial impacts with the SIRHU and linked with the data base of SIRHU itself at the central level (National Directorate for Employment and Salaries).

INDICATORS:	OBJECTIVES 1995/1998	PROCESS	ACHIEVEMENTS AND IMPACT
<p>for Contracting Goods and</p> <p>progress in the contracting system has been achieved at the level of design: drafts of new legal regulations. Also approved the decree providing for the organization of the National Contracting Office and the Ministry Department which will be responsible for developing the new</p>	<p>To have a system operating under uniform regulations throughout the entire National Public Administration with the support of records on providers including data, analysis of compliance, updated reference prices, and facilitating greater transparency and cost reduction.</p>	<ul style="list-style-type: none"> - Organic and functional establishment of the recently created National Contracting Office. - Design and organization of the registry of providers and its operational standards covering all agencies of the National Public Administration. - Design and organization of the information system on reference prices to guide the management of goods and services purchases in all agencies. - Technical design of the system to operate the link between the National Contracting Office and the respective units in the organizations, establishing procedures and technical solutions for their linkage with SIDIF. - Gradual development and implementation of the system in all agencies. 	<ul style="list-style-type: none"> - The Contracting System is specific aspects of the administration of goods and services contracting agencies - at the level of the State. This operation is integrated with the financial effects with the State and linked with the data (general standards, registry and reference prices) of the Contracting Office of the Ministry Department.

INDICATORS:	OBJECTIVES 1995/1998	PROCESS	ACHIEVEMENT AND IMPACT
<p>Assets Administration System</p> <p>The work in the area of Assets Administration has progressed at a rapid pace. Regulatory designs: drafts and regulatory standards. This is under the direction of the Under-Department for Assets Administration, which will by the end of 1994, with the support of the World Bank, have a prototype for organizing and managing the inventory of</p>	<p>Operate an organized and reliable system; transparent in the incorporation and disposal of assets phase; with technical and valuation accounting methods and adequate maintenance of inventory, including the ownership of tangible durable goods in agencies of the National Public Administration and stocks of consumer goods in a sample of 15 agencies.</p>	<ul style="list-style-type: none"> - Design and organization of the Assets Administration system based on the prototype currently being developed, and including the relationship between the central unit in the respective Under-Department and the specific units of the agencies. - Design, organization and implementation of durable goods inventory system and its maintenance. - Design, organization and implementation of warehouse units to manage consumer goods in fifteen selected agencies. - Technical design for operation of the system with application of computer and communication infrastructure and its links with SIDIF in all aspects related to financial and economic impacts. - Gradual installation of the system in all agencies of the National Public Administration. 	<ul style="list-style-type: none"> - The Assets Administration handling the specific aspects of durable goods and consumer goods administration agencies - at the level of the Under-Department. This operation is integrated with the financial and accounting impacts of the SIDIF network and linked to the system (general administrative and asset maintenance standards) of the Under-Department for Assets Administration.
<p>Integration of Fiscal Data with</p> <p>The Under-Department for Economic and Fiscal Relations has developed a statistical type data system at the national and provincial levels on the budgetary management of the State, which has systematically been improving the quality of data without losing integrated technical aspects in terms of the type of data collected in each Province and the coverage of resources, expenditures and financing of Provincial State</p>	<p>To operate the system with uniform technical tasks, linked with all the Provinces and a significant number of municipalities in each Province, with adequate development of computer and communication infrastructure, to support National/Provincial fiscal agreements and guarantee the solidity of data for the structure of public accounts and national accounts.</p>	<ul style="list-style-type: none"> - Final development of technical standardization work to unify the National/Provincial fiscal data system and its data outputs. - Development and implementation of the infrastructure needed to operate the entire system from a computer and communications standpoint. 	<ul style="list-style-type: none"> - Integrated operation of the Fiscal Data System, interconnected with the SIDIF network, uniform from the national perspective and including all expenditures and finances in State management. - Institutionalization of the relations to guarantee graduation of the reform process of the National Financial Administration and those of the Provincial Administrations.

INDICATORS:	OBJECTIVES 1995/1998	PROCESS	ACHIEVEMENTS AND IMPACT
<p>Administrative Reforms</p> <p>4. profound changes were made in the institutional structure of the National Public Administration, at the macro-organizational level, in all aspects related to its structure.</p>	<p>To achieve a substantial change in the concept of Public Administration, with respect to ability and responsibility to manage budgetary programs, the simplification of procedures to allow the administration to operate in a decentralized way and reduce the use and circulation of documents.</p>	<p>- Develop parallel to progress in each of the systems the organizational and procedural changes required for efficient management of the programs and activities of public management, particularly all those intended to reduce process times and steps and excessive handling of documentation and paperwork.</p> <p>- Development of studies to determine the ongoing evaluation of the progress of the reform of Public Administration in terms of systematic and periodic surveys of achievements obtained and changes derived from the new institutional definitions established in the new Constitutional standards.</p>	<p>Significant synchronized work of organizational reforms, progressive gradual application of electronic of data and training will be achieved.</p> <p>Conclude studies to support new changes in the State, complete reforms in progress and the derived from the new constitutional standards.</p>
<p>Management Control System</p> <p>in areas related to the management control system under the operation of SIGEN, advances have been made in the organization and implementation of this agency, dating back to early on the provisions of Law of the design of the program technical and operational and the work of the operating Units in the agencies.</p>	<p>To establish, institutionally and operationally, an integrated Internal Control System for Public Administration, reaching throughout the National Public Administration and the possibility of cooperating - through agreements - with the Provincial States to offer security and responsibility to executive and governmental work and political and civilian credibility.</p>	<p>- Consolidate the institutional development of SIGEN and the UAIs in the operation of the new internal control system for public management, primarily by (i) organizing the documentation and training center; (ii) establishing new techniques in the area of integrated auditing of management; (iii) participating jointly in the analysis of standards and their systematic review in areas of financial administration; and (iv) developing an intensive training program at the level of SIGEN and for UAI officials.</p>	<p>The System is handling follow-up development of activities in all areas of the central, decentralized enterprise administration, bodies and universities and the of their results in financial administrative terms, under stated standards and advisory support to the Office of the National General and the Internal Auditing Unit agency. The overall achievement implemented with harmonious solutions with the reform of financial administrative systems, intensive activity, and strengthening computer and communications infrastructure, linked to SIDIF.</p>

INDICATORS:	OBJECTIVES 1995/1998	PROCESS	ACHIEVEMENTS AND IM
<p>ational and technical g of economic accounts and systems</p> <p>as in the case of SIGEN, the nning Department developed ational work for its new ies in the area of national ional accounts as assigned end of 1993. These respon- include confronting the complexities involved in these systems from the k and their adaptation in internationally accepted anges and the new methods g the Argentine economy. In ntive work was begun on the ndicated above and the ntended to achieve - within w years - the institutional l strengthening of the new were scheduled.</p>	<p>Ensuring a basic supply of national and activity sector data that is reliable, sufficiently frequent and timely, as a valid reference for defining the behavior of economic and social actors in the operations of the market economy and as a support for public management in defining and managing its programs and activities. This means having the ability to measure the situation in terms of a correct relationship between taxpayers and the tax system: measurement of tax burden, regressive nature of this system, behavior of private, public and foreign savings, social indicators, primarily those relating to the poverty line, etc. In the area of national accounts, a specific objective is to substantially improve the measurement of basic productive resources and investment applications so as to preserve them as well as the ecological context as a valuable part of national heritage.</p> <p>In the area of international accounts, a specific objective and achievement is to offer a solid base of information to Argentine operators - companies or individuals - in placing their operations in the outside world, particularly within the framework of the Mercosur agreements. Finally, in the area of statistics, a specific objective to achieve is the operation - with the support of the most advanced computer and communications media - of the national statistics system firmly connecting the national specialized agency (INDEC) with Regional, Provincial and major Municipal Units.</p>		<p>(a) In the area of nation (i) Consolidated integrati National Accounts System with the international technical adaptations; (ii) year for estimates, ove distortions derived from t serious instability; (iii) strengthened methods and p making estimates and a pers ture with updated qualifica</p> <p>(b) In the area of i accounts: (i) The basic information; (ii) New pro techniques for gathering in and estimating the balance with a personnel structure qualifications; (iii) A periodic publications, in with the national accounts</p> <p>c) In the area of socioecon tics, reorganized and en capture and processing in timely and adequate informa e.g., provisional quarterly of sectoral supply and dema no later than 60 days after the respective quarter, in economic accounts and s statistics as well as basi on national cartography.</p>

PROGRAM TO CONSOLIDATE ADMINISTRATIVE AND FINANCIAL REFORM OF THE PUBLIC SECTOR
PROGRAM EXECUTION MATRIX

S	EXECUTOR	COMPOSITION OF UNIT	RELEVANT FUNCTIONS	EXECUTION METHOD	CONDITIONING FACTORS	S
TION	EXECUTION COMMITTEE	Composed of Treasury Secretary, who chairs it, the Secretary of Economic Planning and the General Auditor's Office of the Nation or those to whom authority is delegated. The General Coordinator of the Program acts as Committee Secretary.	<p>Its functions are to: <u>guide and supervise</u> the general progress of the Program; <u>issue</u> guidance standards required for overall Program execution in accordance with agreements contained in contractual instruments; <u>follow</u> the progress of the Program to verify its advance within the stipulated periods and, if necessary, issue pertinent corrective standards; <u>analyze</u> the need to introduce adjustments in the Program intended to adapt the work to realities encountered without distorting the objectives initially established and provide instructions regarding their discussion with BID, and <u>approve</u> the Annual Plan and the annual report on Program activities.</p> <p>The Committee will meet on specific dates and, when necessary, at the request of any of its members.</p>	Political officials of government and chief consultant.	Effectiveness will depend on availability of its members to hold relevant meetings on a timely basis.	S
	PROGRAM EXECUTING UNIT PROGRAM, located within the Treasury Department and composed of about ten professionals, has as its chief objective the coordination of the technical and administrative aspects of program execution.	<p><u>General Coordinator</u></p> <p><u>Consulting specialists</u> in: computers, training and integration financial information system as well as part-time legal counsel.</p> <p><u>Administrative Coordinator</u></p>	<p>The specific functions of the Unit are as follows:</p> <p>a) <u>General Coordination</u>. <u>Exercise</u> the management of the Program and coordinate its execution; <u>keep</u> the Execution Committee <u>informed</u> regarding the progress of the overall Program and its components; <u>maintain</u> relevant contacts with the BID; <u>issue</u> instructions for universal application, and specific instructions for each Subprogram to ensure consistency in the application of principles and procedures, in keeping with the respective national standards and the contractual agreements; <u>prepare</u> the Annual Plan to include anticipated activities at the Subprogram and Program level and the estimate of necessary resources for approval by the Execution Committee and submission to BID; <u>present</u> the annual activities report for the approval of the Execution Committee; <u>ensure</u> that Program resources are incorporated in the respective Budget so as not to hinder Program execution; <u>authorize</u> disbursements of funds for the various Subprograms; <u>hold</u> periodic meetings with those primarily responsible for each of the Subprograms to analyze the progress of execution; supervise achievement of the objectives of each activity; <u>analyze and approve</u>, before distribution, the content of periodic reports to be presented to national authorities and BID.</p>	International consulting	The effectiveness of the tasks to be performed by the General Coordinator will depend on his "institutional" continuity throughout the execution of the Program.	On v: E: C

TS	EXECUTOR	COMPOSITION OF UNIT	RELEVANT FUNCTIONS	EXECUTION METHOD	CONDITIONING FACTORS	SU
	PROGRAM EXECUTING UNIT... (continued)	GENERAL COORDINATOR, SPECIAL COORDINATORS, ETC.	<p>Under the supervision of the General Coordinator, will have the following functions:</p> <p>b) <u>Consulting in Computerization</u>. <u>Collaborate</u> in the preparation of work plans and schedule; <u>support</u> physical design of systems and in the definition of necessary hardware and software requirements and the implementation of the different Program components; <u>collaborate</u> in the design and execution of instructional activities to train analysts and programmers; <u>plan and coordinate</u> activities in order to transfer pertinent technology to the various Subprograms.</p> <p>c) <u>Consulting for SIDIF</u>. <u>Participate</u> in ongoing evaluation of SIDIF data requirements; <u>coordinate and revise</u> the logical design of all SIDIF system components; <u>review</u> the methodology used for developing systems, strengthening their utilization throughout the computerization development process.</p> <p>d) <u>Consulting in Training</u>. <u>Supervise</u> the design and development of the computer training plans of the Program; <u>coordinate</u> the work of training experts defining courses to update human resources training; <u>evaluate</u> the work of experts hired to carry forward technological training; <u>collaborate</u> with the General Coordinator on the general evaluation and compliance with proposed training goals.</p> <p>e) <u>Administrative Coordinator</u>. <u>Carry out</u> Administrative Coordination of the Program; <u>advise</u> those responsible for each Subprogram in procedural aspects of the operation; <u>process</u> the consultant contracts based on the requirements of each Subprogram; <u>process</u> requests for disbursements from the various Subprograms and verify their compliance with established standards and recommend their authorization; <u>process</u> requests for disbursements and/or reimbursements from both the national counterpart and those corresponding to BID financing; <u>maintain</u> the accounting system that records the partial transactions of each Subprogram, the global transactions of the Program in separate accounts; <u>coordinate</u> the preparation of periodic progress reports stipulated by national authorities as well as the BID; and <u>report</u> to the General Coordinator with regard to their management.</p>	Individual international and national consultants	The effectiveness of consultants will depend on the level of commitment and responsibility with which the organizations participating in the Program carry out the execution of the specific tasks in the respective area.	Ong vis Gen din Exe Com

ENTS	EXECUTOR	COMPOSITION OF UNIT	RELEVANT FUNCTIONS	EXECUTION METHOD	CONDITIONING FACTORS	I SUF C
F	SUBPROGRAM COMMITTEE	<p>A) SUBPROGRAM COMMITTEE ON ADMINISTRATIVE AND FINANCIAL REFORM. Composed of the Treasury Secretary and the Under-Secretaries for Budget, Fiscal and Economic Relations with Provinces, Assets Administration. The Subprogram Coordinator acts as Secretary.</p> <p>B) SUBPROGRAM COMMITTEE ON ECONOMIC ACCOUNTS AND STATISTICS. Composed of the Secretary of Economic Planning, the Under-Secretary of Macroeconomic Planning, the General Director of INDEC; the Subprogram Director acts as Secretary.</p> <p>C) SUBPROGRAM COMMITTEE FOR INTERNAL AUDITING AND CONTROL. Composed of the General Auditor of the Nation and the Subprogram Coordinator.</p>	<p>The functions of the Committees are to: <u>guide, coordinate and supervise</u> the progress of the respective Subprogram; <u>supervise</u> the application of standards for execution of the Subprogram in accordance with contractual instruments; <u>follow</u> the progress of the Subprogram to verify its status and, if necessary, define pertinent corrective measures for presentation to the Execution Committee and make adjustments intended to better adapt the work to realities encountered without distorting the initial objectives; <u>supervise</u> the application of adjustments eventually introduced after discussing them with BID; <u>prepare and send</u> to the General Coordinator the Annual Plan of Subprogram activities for consolidation at the Program level; <u>approve</u> the annual report on Subprogram activities to be consolidated and presented to the Execution Committee.</p> <p>The Subprogram Committees, each within its area of specialization, develop functions similar to those carried out by the Execution Committee with respect to the overall Program. The Committees meet on specific dates to approve the Annual Plan and the annual report on each Subprogram, allowing sufficient time to support the analyses and decisions of the Execution Committee. They will also meet, when deemed necessary, at the request of any of their members or the Execution Committee.</p>	Government officials and consultant subcoordinators	Effectiveness depends on support from the respective units with which they will have to interact.	The Comm thro Gene Coord

ELEMENTS	EXECUTOR	COMPOSITION OF UNIT	RELEVANT FUNCTIONS	EXECUTION METHOD	CONDITIONING FACTORS	M SUPP CO Y
F ...	SUBPROGRAM COORDINATOR	<p>The Coordinator and one or two supporting staff, under the direction of their respective Committees, will be responsible for coordinating the execution of all activities that must be carried out in their Subprograms.</p> <p>In the Economic Accounts and Statistics Subproject which will operate within the Department of Economic Planning, three Subcoordinators will be designated who will be responsible for supervision and coordinator of activities to be developed in three autonomous areas of the Department (1) INDEC, (2) National Accounts and (3) International Accounts. These activities will be carried out under the coordination of the Subprogram Coordinator.</p>	<p>The functions of the Coordinator are to: <u>exercise</u> the technical/administrative supervision and coordination of Subprogram activities and their execution; <u>keep</u> superiors <u>informed</u> regarding progress of tasks; <u>supervise</u> application of methodology and procedures issued for administration of the Subprogram; <u>prepare</u> Annual Plan including planned Subprogram activities and magnitude of required resources for inclusion in Annual Plan of the Program; <u>identify</u> anticipated training course requirements, how they will be carried out and the contracting of an instructor or instructors; <u>identify</u> consultant hiring requirements and carry out selection process; <u>supervise</u> the work technically and administratively and recommend payments to consultants based on fulfillment of their terms of reference; <u>plan</u> requirements for purchases that must be made and participate in prequalification and selection process in collaboration with the Administrative Coordination of the Program; <u>ensure</u> that resources of the national counterpart and those of financing related to this Subprogram are incorporated in the Budget on a timely basis; <u>verify</u> the fulfillment of planned tasks to recommend disbursements of funds from the national counterpart and from BID financing; <u>analyze</u> the progress of execution in terms of the stipulated time periods and supervise the achievement of the objectives of each activity in terms of the specific indicators adopted; <u>analyze and approve</u>, before it is sent to the General Coordinator of the Program, the technical content of periodic reports to be presented to the national authorities and to BID.</p>	Consulting (National and international consultants)	Effectiveness of activities to be carried out will depend on the level of commitment to the Program and their longer tenure in charge of the activities.	The S Comm Gener Coord

PROGRAM TO CONSOLIDATE ADMINISTRATIVE AND FINANCIAL
REFORM OF THE PUBLIC SECTOR
PROGRAM FOLLOW-UP METHODOLOGY

FOLLOW-UP ACTIVITIES

	FREQUENCY	PARTICIPANTS	DESCRIPTION	TYPE OF REPORT
	SEMI-ANNUAL	<ul style="list-style-type: none"> - General Coordination - Subprogram Coordination - Inter-American Development Bank - National Agency 	<ul style="list-style-type: none"> - Meeting to evaluate Program progress with all parties involved. - Steps to be followed are defined and difficult situations and corrective actions are studied. 	Report for half-yearly evaluation
	QUARTERLY	<ul style="list-style-type: none"> - General Coordination - Subprogram Coordination 	<ul style="list-style-type: none"> - Monitoring System - Management of each Subprogram's Execution is checked (w/ information copy to BID) 	"Monitoring System" report
	ANNUAL	<ul style="list-style-type: none"> - General Coordination - Subprogram Coordination 	<ul style="list-style-type: none"> - Determination of Annual Plan to be executed must be approved by BID. (Each plan to be sent before January 15th of each year.) 	All annual coordination material and the Annual Report

TYPES OF REPORTS

REPORT	FREQUENCY	CHAPTERS INCLUDED	OBSERVATIONS
EVALUATION	ANNUAL AND SEMI-ANNUAL	<ul style="list-style-type: none"> - Annual work plan, including schedules for contracting consultants, equipment purchases, terms of reference and relevant specifications, achievements to be made in the period, annualization of goals, staffing scheme for execution and coordination units, etc. - Evaluation of results obtained in preceding period and recommendations to improve effectiveness of program. - Analytical description and justification of agreed changes in design and organization of operation execution in the preceding period. - Updating of performance and impact indicators, according to experience acquired and new needs detected. 	<ul style="list-style-type: none"> - Supporting material for Evaluation Meetings prepared by the General Coordination with information from Coordinators of each Subprogram
MONITORING SYSTEM	QUARTERLY	<ul style="list-style-type: none"> - Monitoring Matrix - Consultant Reports - Schedule of General Bids 	<ul style="list-style-type: none"> - Use and preparation by the General Coordination and each Subprogram
FINANCIAL STATEMENTS	MONTHLY	<ul style="list-style-type: none"> - Report on Financial Statements (compiled annually to prepare the pertinent Financial Statements). 	<ul style="list-style-type: none"> - For internal use of General Coordination and Information for Management for Coordination of each Subprogram

PROPOSED RESOLUTION

ARGENTINA. REIMBURSABLE TECHNICAL COOPERATION
PROGRAM FOR THE CONSOLIDATION OF THE ADMINISTRATIVE AND FINANCIAL
REFORM OF THE NATIONAL PUBLIC SECTOR

The Board of Executive Directors

RESOLVES:

1. 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 agreements as may be necessary with the Republic of Argentina and to adopt such other measures as may be pertinent for the execution of the plan of operations referred to in Document AT- , with respect to a technical cooperation in support of the program for the consolidation of the national public sector's administrative and financial reform.

2. That up to the amount of up to forty seven million dollars of the United States of America (US\$47,000,000), or its equivalent in other currencies, except the currency of Argentina, which are part of the Ordinary Capital of the Bank, is authorized for the purposes of this resolution, shall be disbursed in dollars or its equivalent in other currencies, except the currency of Argentina.

3. That the above mentioned sum is to be provided on a reimbursable basis, in accordance with the conditions that shall be set forth in the agreement to be signed for the operation.