

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

ARGENTINA

**INSTITUTIONAL DEVELOPMENT SECTOR FACILITY
INSTITUTIONAL STRENGTHENING OF THE ECONOMIC POLICY
SECRETARIAT**

TECHNICAL COOPERATION LOAN

(AR-L1001)

EXECUTIVE SUMMARY

This document was prepared by the project team consisting of Dino Capriolo, Team Leader (RE1/SC1); Valnora Leister (LEG/OPR); Eduardo Rodal (SDS/ICT); Fernando Straface (SDS/SGC); Pedro Farias and Maximiliano Marqués (RE1/SC1); Claudete Camarano, Normando Birolo, and Mario Ferreira (COF/CAR); and Margarita Fuentes and Irene Cartín (RE1/SC1), who helped to produce this document.

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(AR-L1001)

EXECUTIVE SUMMARY

Borrower:	The Argentine Nation	
Executing agency:	Economic Policy Secretariat of the Ministry of Economy and Production (SPE/MECON)	
Amount and source:	IDB (OC):	US\$4.8 million
	Local:	US\$2.0 million
	Total:	US\$6.8 million
Financial terms and conditions:	Amortization period:	20 years
	Grace period:	3 years
	Disbursement period:	3 years
	Interest rate:	based on Libor
	Inspection and supervision:	0.00%
	Credit fee:	0.25%
	Currency:	United States dollar drawn on the Single Currency Facility.
<p>The interest rate, credit fee, and inspection and supervision fee herein specified have been determined in accordance with document FN-568-3 Rev. and may be modified by the Board of Executive Directors, taking into account the available background information, as well as the respective Finance Department recommendation. In no case will the credit fee exceed 0.75%, nor will the inspection and supervision fee exceed 1%, of the loan amount.¹</p>		
Objectives:	<p>The general objective of the project is to help design a National Development Strategy and implement an economic policy that promotes sustained GDP growth and more equitable income distribution. The specific objective of the operation is to strengthen the Economic Policy Secretariat's institutional capacity: (i) to formulate, implement, monitor, and evaluate economic policy and</p>	

¹ In no case may the inspection and supervision fee exceed, in any given six-month period, the amount that would result from dividing 1% of the loan amount by the number of six-month periods in the original disbursement period.

national development strategy; and (ii) to foster institutional coordination with other stakeholders involved in economic policy formulation.

Description:

To achieve the specific objective, a project has been designed consisting of the following two components.

1. Institutional development (US\$1.8 million). This component will help establish a suitable organizational and operational structure and institutional image that permits the SPE to fulfill its mission and achieve its goals, and that provides a strategic planning response based on a new oversight model and results-based management. The following activities are envisaged: (i) strengthening the strategic framework in which the Secretariat operates; (ii) upgrading the professional staff profile to meet the SPE's new requirements; (iii) establishing SPE performance evaluation and monitoring systems; and (iv) designing, organizing, and implementing information management systems to support improvements in the Secretariat's work processes and functions.
2. Support for the design of development strategies and policies (US\$4.3 million). This component aims to improve economic policy management and coordination systems, in order to enhance their efficiency and efficacy and heighten the contribution they make to achieving national development strategy goals. The following activities are envisaged: (i) designing strategies and policies, including baseline studies, medium-term development policy proposals and strategies, workshops for consensus building on economic policy formulation, and dissemination of policy documents; (ii) implementing a public-policy evaluation and monitoring system that includes identifying suitable indicators for monitoring economic policy, designing and implementing a National Statistical Plan, developing an early-warning system to facilitate timely decision-making and economic policy impact monitoring, and producing periodic reports that analyze economic conditions and evaluate the effectiveness of public spending; and (iii) coordinating efforts with other public-sector bodies involved in implementing economic policy, including technical support for interagency coordination mechanisms (Office of Production Affairs, Office of Financial Affairs, Office of Fiscal Affairs, and the National Council for Social Policy Coordination), and following-up on conclusions and recommendations.

The Bank's country and sector strategy:

The proposed operation is consistent with the Bank's current strategy with Argentina, the thrust of which prioritizes activities in support of State reform, more equitable economic growth, and fiscal balance. In particular, the project will contribute to the institutional development of the Economic Policy Secretariat of the Ministry of Economy and Production, by improving the efficiency, predictability, and transparency of public policy and administration.

Environmental and social review:

The project is expected to generate major benefits in terms of more effective economic policy management (formulation, monitoring, and evaluation), through support for technical capacity strengthening, the establishment of coordination mechanisms, broad-based discussion and consensus, and development of tools to gauge the impact and effectiveness of the steps taken. This will bring about sustained and more equitable economic growth, to reverse the social deterioration that has occurred. The proposed operation will not finance the construction of civil works, and will be limited to consulting services, training, and equipment. Accordingly, it will have no adverse environmental effects.

Benefits:

The project is expected to strengthen SPE capacity to formulate and manage economic policy more efficiently. It will also help provide the SPE with the legal, technical, and interagency coordination tools to enable it to play a central role in the design, application, monitoring, and evaluation of economic policy, with a focus on creating institutional capacity to undertake ongoing policy analysis and planning activities for the medium and long-term.

A further benefit of the project, as part of the National Development Strategy process, is that it will strengthen SPE capacity: (i) to formulate and implement economic policies consistent with this strategy; and (ii) to operate an early-warning system/control panel, bringing together key economic monitoring variables to assess economic policy performance.

In the management domain, the actions envisaged in relation to SPE organization will help improve coordination, internally among its various units as well as with other government agencies involved in public policy formulation and monitoring. This should allow formal mechanisms to be established that would provide the policy formulation process with the basic requirements for consideration, thereby ensuring that it is consistent and coherent with the country's general policy framework.

Risks:

Resistance to change. The SPE management improvements envisaged will only come about if the new organizational and information technology techniques to be developed as part of the

project are effectively implemented. To this end, Secretariat staff must be fully trained in those new techniques; otherwise there would be a risk of inadequate or inefficient implementation. To minimize this risk, a series of training activities has been scheduled to instruct and raise awareness among SPE personnel regarding effective implementation of these techniques—particularly with respect to the need for coordination, both internally and externally with other government agencies and civil society.

Sustainability. The project will support the establishment of a system for economic policy design, monitoring, and evaluation, which, given its nature and coverage, could require substantial financial and technical resources to make it sustainable. To mitigate this risk, the project provides for the establishment of an Economic Policy Strategy, Planning, and Design Unit (UEPPE) within the SPE organizational structure and staffed mainly by Secretariat personnel, in order to ensure that the prospective system will be sustainable upon completion of the project.

**Special
contractual
clauses:**

Conditions precedent to the first disbursement of the loan: The SPE must demonstrate that: (i) the PEU has been created within the SPE structure, and that staff have been selected, hired, and/or assigned to the unit (paragraph 3.5); and (ii) the annual work plans (AWPs) have been prepared for year one of the operation (paragraph 3.10).

Conditions precedent to the first disbursement of component 2. With respect to activities in support of: (i) the preparation of Policy Strategies and Proposals (PAEP); and (ii) the establishment of the Economic Policy Strategy, Planning, and Design Unit (UEPPE), the Secretariat must demonstrate to the Bank that: (i) the PAEP Operating Regulations are in effect, and the members of its technical advisory committee have been selected (paragraph 3.8); and (ii) the UEPPE has been created and is functioning, according to the original structure agreed with the Bank (paragraph 3.8).

As special contractual conditions during execution, the Secretariat must submit to the Bank (i) the AWPs for each year of the project 60 days before the end of the previous year (paragraph 3.10); and (ii) for activities to be carried out in the provinces, evidence of a cooperation agreement (paragraph 3.9).

**Social equity
and poverty
classification:**

This operation does not qualify as a social equity enhancing project, as described in the indicative targets mandated by the report on the Bank's Eighth General Increase in Resources (document AB-1704); nor does it qualify as a poverty targeted investment (PTI) (paragraph 4.5). It will, however, as previously indicated (project objective), contribute, albeit indirectly, to social equity, through a better defined and better implemented economic policy.

Exceptions to Bank policy:

No exceptions to Bank policy are anticipated.

Procurement:

Procurement of goods, construction works, and consulting services must be conducted in accordance with Bank procedures. International competitive bidding will be required for procurement of consulting services in amounts greater than US\$200,000, and for procurement of goods in amounts of US\$350,000 or more. This project does not include construction works.

It has been agreed that contracts for goods and consulting services requiring international bidding will be reviewed ex ante by the Bank's Country Office. Contracts in smaller amounts will be reviewed ex post, once the Country Office has approved the corresponding terms of reference. Nonetheless, should the Country Office find that procurement has failed to adhere to Bank rules, it may suspend this arrangement and review all services contracts on an ex ante basis (paragraph 3.12).

Lastly, it was agreed that, for procurement of goods from MERCOSUR countries, the regional or subregional margin of preference specified in the Bank's bidding procedures will apply (paragraph 3.12).