

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

ARGENTINA

CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP)

(AR-O0004)

FIRST LOAN

**WATER AND SANITATION PROGRAM FOR THE BUENOS AIRES METROPOLITAN AREA
AND THE DISTRICTS IN THE FIRST, SECOND, AND THIRD RINGS OF THE
BUENOS AIRES CONURBATION**

(AR-L1257)

LOAN PROPOSAL

This document was prepared by the project team consisting of: Henry A. Moreno, Project Team Leader (WSA/CAR); Kleber Machado (INE/WSA), Alternate Project Team Leader; Keisuke Sasaki, David Wilk, and Liliana López (INE/WSA); Gustavo Gonnelli and Jorge Oyamada (WSA/CAR); Tania Páez (WSA/CUR); Alonso Chaverri-Suárez (LEG/SGO); Brenda Álvarez Junco, and Juan Carlos Lazo (FMP/CAR); Roberto Leal and David Baringo (VPS/ESG); Sofia Garcia Bailón (CSC/CAR); and Camilo Garzón (Consultant).

This document is being released to the public and distributed to the Bank's Board of Executive Directors simultaneously. This document has not been approved by the Board. Should the Board approve the document with amendments, a revised version will be made available to the public, thus superseding and replacing the original version.

CONTENTS

PROGRAM SUMMARY

I.	DESCRIPTION AND RESULTS MONITORING	2
A.	Background, problem to be addressed, and rationale	2
B.	Objectives, components, and costs	9
C.	Key outcome indicators	11
II.	FINANCING STRUCTURE AND MAIN RISKS	11
A.	Financing instruments	11
B.	Risks	12
C.	Special considerations.....	13
III.	IMPLEMENTATION AND MANAGEMENT PLAN	15
A.	Summary of implementation arrangements	15
B.	Summary of results monitoring arrangements	16

ANNEXES	
Annex I	Summary Development Effectiveness Matrix
Annex II	Results Matrix
Annex III	Fiduciary Agreements and Requirements

ELECTRONIC LINKS	
REQUIRED	
1.	Multiyear Execution Plan and Annual Work Plan
2.	Monitoring and Evaluation Plan
3.	Environmental and Social Management Report
4.	Procurement Plan
OPTIONAL	
1.	Economic Analysis
2.	Technical Feasibility
3.	Institutional Capacity Assessment of AySA
4.	Financial Evaluation of the Executing Agency
5.	Progress Monitoring Report
6.	Financing and Budget Plan – AySA 2011-2020
7.	National Water and Sanitation Plan
8.	Analysis of Compliance with the Public Utilities Policy
9.	Disbursement Projection
10.	AySA Strategic Plan
11.	Bibliographic References
12.	Legal Instruments Incorporating the Districts of Moreno and San Miguel in the AySA Concession
13.	Midterm Evaluation of Program AR-L1122
14.	Final Evaluation of Program AR-L1080
15.	Performance Report on Program AR-L1080
16.	Contribution to the Climate Change Target
17.	Strategy and Main Results of CCLIP AR-X1013

ABBREVIATIONS

AySA	Agua y Saneamientos Argentinos S.A.
BOD	Biochemical oxygen demand
CCLIP	Conditional credit line for investment projects
EIB	European Investment Bank
ESA	Environmental and Social Analysis
ESMP	Environmental and Social Management Plan
GHG	Greenhouse gases
INE/WSA	Infrastructure and Environment Sector/Water and Sanitation Division
LIBOR	London interbank offered rate
MIOPyV	Ministry of the Interior, Public Works, and Housing
MPN	Most probable number
PNAPyS	Plan Nacional de Agua Potable y Saneamiento [National Water and Sanitation Plan]
SSRH	Subsecretaría de Recursos Hídricos [Office of the Deputy Secretary for Water Resources]
WAL	Weighted average life
WTP	Willingness to pay

PROGRAM SUMMARY

ARGENTINA

FIRST LOAN UNDER THE CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP) (AR-O0004)

FIRST LOAN OF THE WATER AND SANITATION PROGRAM FOR THE BUENOS AIRES METROPOLITAN AREA AND THE DISTRICTS IN THE FIRST, SECOND, AND THIRD RINGS OF THE BUENOS AIRES CONURBATION (AR-L1257)

Financial Terms and Conditions					
Borrower: Argentine Republic			Flexible Financing Facility for the first program ^(a)		
Executing agency: Agua y Saneamientos Argentinos S.A (AySA)			Amortization period:	25 years	
Source	Amount (US\$ million)		%	Original WAL:	14.75 years
	CCLIP	First operation		Disbursement period:	4 years
IDB (Ordinary Capital):	960	305	56.3	Grace period:	4.5 years
				Inspection and supervision fee:	^(b)
Local contribution:	400	237	43.7	Interest rate:	LIBOR-based
				Credit fee:	^(b)
Total:	1,360	542	100.0	Approval currency:	United States dollars from the Ordinary Capital
Project at a Glance					
Objective and description: The objective of the CCLIP is to expand the coverage and improve the quality of water and sanitation services in the Metropolitan Area of the City of Buenos Aires and districts in the first, second, and third rings of the Buenos Aires Conurbation. The objective of the first operation under the CCLIP will be to expand sanitation services, increase the availability of water, and improve the environmental conditions of the River Plate, by increasing dilution of wastewater discharge.					
Special contractual conditions precedent to the first disbursement and for financial sustainability: See the special requirements for execution in the Fiduciary Agreements and Requirements (Annex III, paragraph 4.4); and for financial sustainability (paragraph 3.6), establishing the borrower's commitment to effect the timely transfer of national budget resources to AySA in the event that rate revenue fails to cover administrative, operational, maintenance, and depreciation expenses for program-financed works.					
Special environmental and social contractual conditions for execution: See the Environmental and Social Management Report (REL#3) (paragraph 2.5).					
Exceptions to Bank policies: For the reasons described in paragraph 3.3, the project team is requesting a waiver of the Procurement Policy (document GN-2349-9) in the area of eligibility, so as to allow companies in European Union countries that are not IDB members to participate in bidding for one of the program's works, because the European Investment Bank will provide financing to the Argentine government to partially cover that work.					
Strategic Alignment					
Challenges: ^(c)	SI	X	PI	<input type="checkbox"/>	EI <input type="checkbox"/>
Crosscutting themes: ^(d)	GD	<input type="checkbox"/>	CC	X	IC X

^(a) Under the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, and currency and interest rate conversions. When considering such requests, the Bank will take operational and risk management considerations into account.

^(b) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policies.

^(c) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(d) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING¹

A. Background, problem to be addressed, and rationale

- 1.1 **Introduction.** In November 2008, the Bank's Board of Executive Directors approved a conditional credit line for investment projects (CCLIP) (AR-X1013) and the first individual loan for the "Water and Sanitation Program for the Buenos Aires Metropolitan Area and Conurbation." Loan operations 2048/OC-AR, 2613/OC-AR, and 3733/OC-AR for US\$720 million were approved under this CCLIP. These operations were concentrated in the Autonomous City of Buenos Aires and 17 districts (*partidos*) in the Buenos Aires conurbation. The executing agency for these operations is Agua y Saneamientos Argentinos, S.A. (AySA), which has held the concession for these services since 2006. The proposed program would establish a new CCLIP and financing for the first individual operation under that line, to support AySA in financing part of the needs identified in nine new districts being added to its concession in the metropolitan area of the Autonomous City of Buenos Aires and building its business management capacity to address the medium-term challenges from expanding the concession area and increasing the number of users. This will increase AySA's service delivery area by 93% and add 2.8 million to the population to be served and will require expanded support from the Bank in terms of optimizing the water supply system, and increasing sewerage and wastewater treatment coverage.
- 1.2 **Institutional framework.** AySA, as the concessionaire, is responsible for providing water and sanitation services in the Autonomous City of Buenos Aires and 17 districts in the Buenos Aires conurbation.² The sector structure in which it operates assigns policy-making, sector planning, regulatory, and service delivery roles to different institutions. This has allowed for appropriate planning, execution, and control of expansion plans. Policy-making is the responsibility of the Subsecretaría de Recursos Hídricos [Office of the Deputy Secretary for Water Resources] (SSRH), in the Ministry of the Interior, Public Works, and Housing (MIOPyV), which, *inter alia*, develops and executes the national water policy.³
- 1.3 **Service planning and regulation.** Through National Law 26,221/2007 and the related Regulatory Decree 763/2007, the Government of Argentina approved the regulatory framework for the provision of water and sanitation services, creating the Planning Agency (APLA), an autonomous entity responsible for coordinating and controlling the preparation of service expansion and improvement plans and projects, the development of works, the preparation of environmental impact studies, and the setting of quality targets in the Autonomous City of Buenos Aires and 17 districts in the province of Buenos Aires. That law also created the Ente Regulador de Agua y Saneamiento [Water and Sanitation Regulatory Authority] (ERAS) to verify compliance with the concession contract, oversee service quality, and protect users' interests.

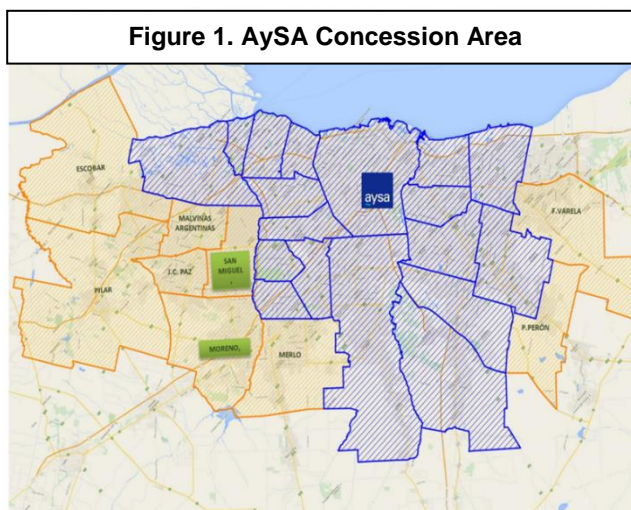
¹ Bibliographic references are available for consultation in [OEL#11](#).

² AySA was established as a corporation in March 2006, pursuant to Presidential Decree 304/06, ratified in June 2006 through National Law 26,100.

³ Decree 212/2015 lists the functions of the SSRH, which also include exercising authority to enforce the AySA concession contract.

1.4 Expansion of AySA's area of activity.

The services provided by AySA are subject to the indicated regulatory framework and the terms of Resolution 170/2010⁴ establishing, *inter alia*, the concession's term, the service delivery conditions, rate-related issues, the districts in the concession area, and the incorporation of new service delivery areas.⁵ Through Law 14,830 of 2016, the province of Buenos Aires decided to cede provincial jurisdiction in water and sanitation to the federal government in eight districts in the second and third rings of the conurbation, including the districts of Moreno and San Miguel,⁶ to increase coverage, improve service quality, and take advantage of AySA's management capacity. The legal instruments for incorporating Moreno and San Miguel in AySA's concession are already completed, and the procedures for some of the remaining districts are well-advanced.⁷ In addition, the Pilar district, by assent, also decided to join the AySA concession, bringing the total number of districts to nine.



1.5 Challenges in water and sanitation services - Coverage.

Water and sanitation coverage in Argentina is 82.6% and 47.6%, respectively. In the area covered by AySA, the Autonomous City of Buenos Aires, with a population of 2.9 million, and 17 districts in the conurbation, with 7.8 million

Table I.1. Water & Sanitation Coverage

Area	Population (millions)	Coverage (%)	
		Water	Sanitation
National	40.1	82.6	47.6
Auton. City of BA	2.9	99.6	98.7
Rest of current conurbation	7.8	80.9	52.5
New districts	3.2	40.0	16.0
Expanded AySA	13.9	75.4	53.7

inhabitants, the coverage rates are approximately 86% for water and 65% for sanitation. However, these figures show significant gaps, since 99.6% of the population in the Autonomous City of Buenos Aires receives piped water while just 80.9% do so in the 17 districts in the conurbation. The difference is even more marked in sanitation, with coverage of 98.7% for the Autonomous City of Buenos Aires compared to 52.5% for the districts in the conurbation.⁸ In the nine joining AySA, the situation is more precarious, considering that water coverage is 40% while sanitation

⁴ This resolution approves the "Binding Instrument between the National Government and AySA S.A."

⁵ Pursuant to Resolution 170/2010, the concession runs until 21 March 2026 and may be extended by mutual agreement between AySA and the national government.

⁶ Law 14,380 approves the May 2016 "Instrument of Agreement" signed by the Ministry of Infrastructure and Public Services, on behalf of the province of Buenos Aires, and the SSRH of the MIOPyV, on behalf of the national government, subject to ad referendum approval by the relevant provincial authorities.

⁷ The breakdown of the legal instruments formalizing the effective incorporation of the districts of Moreno and San Miguel into the AySA concession appears in [OEL#12](#).

⁸ Data from the 2010 National Population and Housing Census.

coverage is just 16%. In the districts of Moreno and San Miguel, sanitation coverage is 42.8% and 50.4%, respectively.

- 1.6 **Wastewater treatment.** It is estimated that less than 20% of the wastewater collected in the country is treated,⁹ while an estimated 10% is treated in the current AySA concession area. In the districts of Moreno and San Miguel, 17.8% of households have their wastewater treated and, in the other seven new districts to be added to the AySA concession, such treatment is non-existent, primarily because of the low level of investment. This deteriorates the quality of bodies of water like the River Plate,¹⁰ and the watercourses in the Matanza-Riachuelo¹¹ and Reconquista¹² river basins—the most polluted rivers in the country. The discharge of wastewater in Berazategui and the streams that drain directly or indirectly into the River Plate are some of the main sources of contamination.¹³ These are fundamentally environmental problems, linked to the impact of disposing wastewater from 5.1 million people into the River Plate through the current Berazategui sewage outfall¹⁴ that based on its length and design characteristics, does not meet the national dilution standard of 1/20 with concentrations of *Escherichia Coli* (less than 20,000 MPN/100 ml 90% of the time) and 30 mg/l biochemical oxygen demand. Currently it achieves dilution of 1/3 and concentrations higher than the standard most of the time. Under extreme conditions, the contamination plume may reach the raw water intake of the General Belgrano Water Treatment Plant, affecting the production of potable water. To address this environmental and health challenge, AySA will construct a new sewage outfall (paragraph 1.21) to minimize the polluting effects on the River Plate caused by discharges from the current outfall and effects on the water intakes.¹⁵ This is also the most cost-effective solution¹⁶ for expanding service to an additional two million inhabitants.
- 1.7 **Quality and efficiency.** In addition to the investment challenge to expand water and sanitation coverage, there is still a need to reduce losses in the water system to more efficiently manage water resources, ensure service quality, and support its expansion, particularly in the conurbation, where there is specific evidence of: (i) high levels of physical losses of water in the distribution system, estimated at 38% (439,066 m³/day in regulated sectors), which are expected to be reduced by dividing it into sectors and through better control of pressure, and micro- and

⁹ Plan Nacional de Agua Potable y Saneamiento [National Water and Sanitation Plan] (PNAPyS), 2016.

¹⁰ Instituto Nacional del Agua [National Water Institute]. Evaluación Calidad Agua en la Franja Costera Sur del RdP [Evaluation of Water Quality in the Southern Coastal Strip of the River Plate] ([link](#)).

¹¹ Water pollution: history and current state in the Matanza-Riachuelo basin ([link](#)). Multicriteria evaluation of environmental risk exposure in Argentina ([link](#)).

¹² Diagnostic report on the situation in the Reconquista River basin. Halcrow, 2011 ([link](#)).

¹³ The Medrano stream, which crosses the Autonomous City of Buenos Aires, and the streams that flow directly or indirectly into the River Plate, are some of the other sources of contamination ([link](#)).

¹⁴ There is a considerable contamination plume in the discharge area, measuring 1.5 km long and 600 m wide, from more than five million inhabitants who discharge into it.

¹⁵ Modeling done over 12 months (June 2009 to June 2010) using the two-dimension Delft3D model shows that the solution adopted may achieve dilution higher than 20:1 90% of the time and BOD concentrations of less than 10 mg/l. P. Roberts and B. Villegas (2010).

¹⁶ Ludwig (1988) analyzes the cost of the outfalls based on their location and design, finding that a secondary treatment system requires nearly three times more investment than a dilution system with a long outfall ([link](#)).

macro-metering¹⁷ with a direct impact on unmet demand;¹⁸ (ii) a high system criticality index, with an average of 11 interventions per system kilometer per year, when it should be six or fewer, resulting from the low network replacement rate of less than 1% per year, compared to over 2% in developed countries. This points up the need to work to optimize the distribution system by adopting an asset management approach,¹⁹ with a view to improving service for existing users and bringing service to new users with the same volume of water produced.

- 1.8 **Management capacity.** In the commercial area, there is still the challenge of reducing consumption (AySA estimates an average of 336 liters/day/user, while allocations in the region are between 100 and 220 liters/day),²⁰ increasing the levels of micrometering (currently 20%), and encouraging the rational use of water resources. AySA's institutional framework must also be strengthened and its productivity improved in order to adjust to the expanded concession area,²¹ particularly in a scenario in which most users without services are located in primarily poor areas (paragraph 1.9). In addition, to ensure the financial sustainability of these services, the Government of Argentina made rate adjustments in 2016 and 2017 that will make it possible to go from covering less than 40% of operating and maintenance costs in 2015 to 85% in 2017 (paragraph 2.13).
- 1.9 **Government policy and program strategy.** To address the sector's challenges, the Government of Argentina made providing efficient and quality water and sanitation services to the entire population a policy priority, establishing the goals of universal access to water and 75% access to sanitation.²² The Argentine government cofinances the infrastructure and strengthening of the country's companies, through the Ente Nacional de Obras Hídricas y Saneamiento [National Water and Sanitation Works Agency] (ENOHSA), the SSRH²³ and AySA in the conurbation. Expanding water and sanitation in the conurbation is a priority for the Government of Argentina as it is one of the areas with the highest indigence and poverty rates²⁴ and rapid demographic growth.²⁵ Within the conurbation, the shortage of water and sanitation coverage increases as distance from the Autonomous City of Buenos Aires grows (paragraph 1.5). In addition, these gaps are directly related to the population's income levels. Access to water and sanitation is 64% and 17%, respectively, among the poor, while it is 94% and 90%,

¹⁷ Evidence of effectiveness: Da Silva, N.R., 2008 ([link](#)), Economic Analysis ([OEL#1](#)), Technical Annex ([OEL#2](#)), and Final Evaluation Report AR-L1080 ([OEL#14](#)), showing that micrometering yielded a 10% reduction in average monthly consumption.

¹⁸ Evidence of effectiveness: Rizzo, A., et al. 2004 ([link](#)).

¹⁹ The asset management approach is widely used in developed countries. Jolicoeur and Barret (2004).

²⁰ PNAPyS, 2016.

²¹ The districts of José C. Paz, Moreno, Merlo, Malvinas Argentinas, Florencio Varela, San Miguel, Presidente Perón, Belén de Escobar, and Pilar are being incorporated.

²² According to the PNAPyS, it is estimated that 40% of the target will be met by 2016-2019 ([link](#)).

²³ Through the Water Programs Executing Unit–Belgrano Plan, which belongs to the Coordinating Unit for Externally Financed Programs and Projects.

²⁴ According to data from the most recent Continuous Household Survey published for the conurbation for the second half of 2016 ([link](#)), 34.6% of the population was living in poverty and 7.5% was indigent.

²⁵ Population projections indicate that this region grew on average by 14% between 2001 and 2010.

respectively, among high-income segments.²⁶ This is particularly relevant because there is a positive link²⁷ between environmental quality,²⁸ health, reduction of infant mortality²⁹ and morbidity³⁰ and access to water and sanitation. Expanding water and sanitation services is a strategic imperative for meeting the Sustainable Development Goals. Based on its 2011-2020 Strategic Plan ([OEL#10](#)), which sets coverage, operating and commercial efficiency, metering, and financial sustainability targets, AySA conducted a diagnostic assessment of its infrastructure and management capacity, updated its master plan, and identified operational plans to address the main challenges, incorporating risk analysis with monitoring mechanisms, which will enable it to maintain and expand quality water and sanitation services.

- 1.10 **Investment needs and rationale for the CCLIP.** The objective of the water and sanitation master plan for the AySA concession area, which is being supplemented for the new areas of expansion, is to provide water to some 3.8 million people and sanitation to 6.6 million people,³¹ which will require an investment of about US\$11.9 billion. Based on that plan, AySA has estimated that nearly US\$6 billion in investments will be required over the medium term to expand water and sanitation in the new areas of the conurbation, which will be financed with proceeds from international organization loans and funds from the federal government. Considering the challenges of expanding the service area, the high levels of investment anticipated, AySA's strong performance in executing Bank-financed projects, and the need to support the company over the medium term with adequate, phased planning, strengthening its management capacity in areas such as investment planning, organization to serve the new areas of expansion, and measuring consumption, the proposed financing mechanism is a CCLIP consisting of up to three individual loans. The works to be financed with the first individual loan under the CCLIP were determined based on the priorities identified in AySA's master plan, as well as readiness of the technical, economic, and environmental studies supporting the different projects.
- 1.11 **Eligibility of the CCLIP and first operation.** The CCLIP meets the established criteria (document GN-2246-9): (i) AySA has completed a similar project in the last five years (loan 2048/OC-AR) and the Bank has verified its financial and institutional soundness ([OEL#3](#) and [OEL#4](#)); (ii) the completed project satisfactorily achieved the expected outcomes, AySA met the conditions of the loan contract and the

²⁶ According to the 2010 National Population and Housing Census and in line with the socioeconomic level of the census bloc (social stratification based on the economic capacity indicator - CAPECO).

²⁷ Documented in numerous microeconomic studies, such as those summarized by Brennenman and Kerf (2002).

²⁸ Evidence of effectiveness of interventions on reducing the incidence of waterborne diseases: Galiani et al. (2009); they found reductions in the presence, frequency, and severity of episodes of diarrhea in children as a result of the expanded water system in Argentina ([link](#)). Mascarini, M.L. (2009) found reductions in the incidence of diarrhea as a result of investments in sanitation ([link](#)).

²⁹ Formal studies by Lee et al. (1997), Shi (2000), Newman et al. (2002), Leipziger et al. (2003), Wagstaff and Claeson (2004), and Gamber-Rabintran et al. (2010) found that access to water and sanitation helps to reduce infant mortality. In Argentina, Galiani et al. (2002) found that water service access and quality improvement reduced infant mortality by 5% to 7% in areas with privatized services and that this effect was greater (24%) in poorer areas.

³⁰ M. Conte Grand and G. Coloma (2009) found a significant correlation between water and sanitation coverage and reduced mortality ([link](#)).

³¹ These objectives are in line with the PNAPyS developed by the SSRH.

- financial and operational reports were submitted in due time and manner and were accepted by the Bank, and the financed works are properly operated and maintained ([OEL#14](#)); (iii) AySA demonstrated a solid track record of satisfactory performance,³² and the institutional analysis finds this will continue; and (iv) the interventions proposed in this program are aligned with the Bank's strategy (paragraph 1.15).
- 1.12 This first operation meets the eligibility criteria (document GN-2246-9): (i) the sectors covered by the loan correspond to those of the CCLIP (paragraph 1.19); (ii) the operation is included in the country program (paragraph 1.15); and (iii) the executing agency will continue to be AySA, which has been satisfactorily executing the operations under line AR-X1013 and is the agency responsible for water and sanitation services (paragraph 1.2).
- 1.13 **Bank support for the sector.** This program is associated with a Bank strategy of comprehensive support for improving water and sanitation services at the national level that in the case of the Autonomous City of Buenos Aires includes CCLIP AR-X1013 (paragraph 1.1). The last operation under that CCLIP was approved in 2016 and the main outcomes achieved in terms of water savings, control of unaccounted for water, increased water production, and expanded sanitation coverage are presented in [OEL#17](#). For the rest of the country, there are CCLIPs for water and sanitation programs in small communities (loan 1895/OC-AR) and urban and suburban centers (loans 2343/OC-AR and 3451/OC-AR) as well as a program for the Belgrano Plan areas, one of the most economically and socially depressed zones, called the Norte Grande Provinces Development Program: Water and Sanitation Infrastructure (loan 2776/OC-AR). In addition, the Reconquista River Basin Environmental Sanitation Program (loan 3256/OC-AR) and technical cooperation operations to prepare Comprehensive Drainage and Flood Control Management Plans (ATN/OC-14213-AR and ATN/LA-15934-AR) and support the Modernization of the Water and Sanitation Sector (ATN/OC-15932-AR) are currently being executed. These programs address the problems in each of the areas in the country that lag furthest behind in access to water and sanitation services as well as the need for institutional strengthening to ensure that the services are well managed. In the case of the Autonomous City of Buenos Aires, the new CCLIP being proposed supplements the actions to increase the coverage of water and sanitation services in areas of the conurbation and wastewater treatment under CCLIP AR-X1013, to reduce coverage shortfalls in this area of the country (paragraphs 1.5 to 1.8) with actions for building AySA's business management capacity to address challenges of the new service conditions in the expanded concession area (paragraph 1.4).
- 1.14 **Lessons learned.** This CCLIP has considered the lessons learned from evaluating the previous operations executed by AySA ([OEL#15](#)), notably: (i) having advanced engineering designs reduces costs during works execution; the studies conducted have made it possible to estimate investment costs with a high degree of confidence (paragraph 3.1); (ii) by initiating the bidding processes ad referendum, procurement can already be under way when the loan becomes eligible. Once the Bank approves the loan, AySA will initiate the bidding process for several of the works ([REL#4](#)) on a parallel track with the operation's administrative signature and eligibility processes; (iii) projecting a line item to cover price adjustments and contingencies prevents having to scale back the planned targets; a contingencies

³² The operations have been classified as satisfactory in the Progress Monitoring Reports and are expected to attain the agreed-upon targets and performance indicators.

item has been included (paragraph 1.24); (iv) by ensuring proper coordination between the various areas of AySA and other institutions related to the works (municipal or environmental permits) and having a risk mitigation plan in place for each of the works, action can be taken to ensure that works start on time and proceed according to schedule (paragraph 2.10); and (v) providing stability for staff responsible for executing the loan and training for AySA employees involved in the program will prevent delays or errors due to lack of knowledge, so training activities will be financed (paragraph 1.23). These lessons are representative of similar operations (See Chapter IV of the Bank's Water and Sanitation Sector Framework Document).

- 1.15 **Strategic alignment.** The operation is aligned with the Bank's country strategy with Argentina for the period 2016-2019 (document GN-2870-1) in the priority area of "poverty and inequality reduction," which includes as one of its strategic objectives: habitat improvement and access to basic services in low-income regions. The program is consistent with the Update to the Institutional Strategy 2010-2020 (document AB-3008) and directly aligned with the development challenge of social inclusion and equality, since the interventions are aimed at expanding and improving water and sanitation services in areas of the conurbation with the highest poverty rates and the lowest levels of access to public services (paragraph 1.9). In addition, the program will contribute to the Corporate Results Framework 2016-2019 (document GN-2727-6) through the outputs "households with new or upgraded access to sanitation," "households with wastewater treatment," and "households with new or upgraded water supply." Lastly, the program is aligned with the Strategy on Sustainable Infrastructure for Competitiveness and Inclusive Growth (document GN-2710-5), particularly the priority area of "supporting the construction and maintenance of socially and environmentally sustainable infrastructure, thus enhancing quality of life" and is consistent with dimensions of success and lines of action under the Water and Sanitation Sector Framework Document (document GN-2781-3), namely universal access to water and sanitation, improved service quality, and social and environmental sustainability.
- 1.16 The operation is also aligned with the crosscutting areas of the Institutional Strategy: (i) institutional capacity and rule of law in that it finances activities to build AySA's management capacity and improve sector governance; and (ii) climate change and environmental sustainability. Of the operation's resources, 94.8% is invested in mitigation activities, in accordance with the [joint MDB methodology for tracking climate finance](#). These resources contribute to the IDB Group's target of increasing financing for projects related to climate change to 30% of approvals by 2020. The operation will reduce greenhouse gas (GHG) emissions. Expansion of the Las Catonas plant includes investments in wastewater treatment, capture of gases, power cogeneration, and energy use, which will result in the replacement of fossil fuels, energy savings, and lower GHG emissions. Construction of the Berazategui sewage outfall will allow for the discharge of wastewater and dilution of pollutants with a direct effect on the reduction of GHG emissions ([OEL#16](#)).
- 1.17 **Consistency with Bank policies.** The program fulfills the financial sustainability and economic evaluation conditions of the Public Utilities Policy (document GN-2716-4) and is consistent with the principles of that policy. AySA covers its operating and maintenance costs and financial obligations with revenue from rates and timely transfers from the federal government (paragraph 2.13). The works to be financed

are socioeconomically viable (paragraph 2.11). In addition, AySA has a subsidized rate and the Argentine government has a targeted program of access to services for the low-income population (paragraph 2.12); there is adequate institutional organization (policy-setting, regulation, and service delivery) (paragraphs 1.2-1.3), and there are accountability mechanisms that foster transparency ([OEL#8](#)).

B. Objectives, components, and costs

- 1.18 **Objective.** The objective of the CCLIP is to expand the coverage and improve the quality of water and sanitation services in the Metropolitan Area of the City of Buenos Aires and the districts in the first, second, and third rings of the Buenos Aires Conurbation. The objective of the first operation under the CCLIP will be to expand sanitation services, increase the availability of water, and improve the environmental conditions of the River Plate by increasing the dilution of the wastewater discharge. The specific objectives are to: (i) increase the coverage of residential wastewater service; (ii) prevent the contamination of bodies of water through proper wastewater treatment; (iii) increase the availability of water due to savings from implementing a Metering and Consumption Plan; and (iv) minimize the environmental impact on the River Plate through proper transport and diffusion of sewage treated at the Berazategui Plant in the planned disposal area in the River Plate.
- 1.19 The components of the CCLIP are optimization of the water treatment and distribution system, expansion of the sanitation system, and business management strengthening. In particular, for this first operation these components will be structured as: (i) water system; (ii) sanitation system; and (iii) business management strengthening.
- 1.20 **Component 1 – Water supply system (US\$10 million).** This includes the purchase and installation of equipment to measure pressure and consumption in order to reduce physical losses by controlling system pressure and identifying wastage by measuring consumption. Financing will be provided to purchase and install 16,174 micrometers in nine sectors of the city,³³ which will reduce consumption by 10% (some 2,880 m³/day); 12 pieces of equipment to measure and record flows and pressure, 20 pieces of pressure control equipment, and 20,000 m of pipeline for dividing 11 water areas into sectors,³⁴ resulting in a savings of 43,907 m³/day of water, to benefit some 125,447 additional inhabitants in the concession area.
- 1.21 **Component 2 – Sanitation system (US\$459.9 million).** Includes the following projects: (i) expansion of the sewerage system in the districts of Moreno and San Miguel, to include the installation of 242 km of the system over an area of 12.6 km², benefitting 19,000 households, construction of the Las Catonas and Mariló collectors with a length of 7.55 km to convey wastewater to the treatment plant, and rehabilitation of the Barker pumping station; (ii) expansion of the Las Catonas plant from 0.4 to 1.07 m³/sec through a module with capacity to treat the wastewater from a population of 210,000 inhabitants (56,000 households), making it possible to expand the systems in Moreno and San Miguel; and

³³ Meters will not be installed in the two district metering areas in the District of Lanús: Villa Raffo, Lanús Centro.

³⁴ These correspond to the following district metering areas: Quilmes E1, Ezpeleta, Morón Centro 1, Morón Centro 2 and 3, Villa Maipú, Villa Progreso, San Fernando, Villa Raffo, Lanús Centro, Valentín Alsina, Liniers 1.

(iii) construction of the Berazategui sewage outfall, including the loading chamber or surge shaft and the diffusers section with a total length of 7.5 km and hydraulic diameter of 4.4 m, ensuring a proper level of dilution in the River Plate of the wastewater produced by 5.1 million inhabitants (1.3 million households) and the capacity required for future expansion of the service to some two million more inhabitants (500,000 households).

- 1.22 **Component 3 – Business management strengthening (US\$5 million).** This includes: (i) purchase of equipment for the water quality monitoring system for the River Plate basin; (ii) support provided to the MIOPyV's SSRH for studies related to revision of the regulatory framework; (iii) professional training for AySA employees; (iv) support for the creation of the University Water and Sanitation Institute;³⁵ (v) purchase and implementation of technological tools to improve the management of water systems; (vi) development and implementation of a works information management system; and (vii) studies on indoor facilities and effective connections.
- 1.23 **Cost.** The cost of the program of investments planned under the CCLIP is estimated at US\$1.36 billion, of which the IDB would contribute up to US\$960 million from its Ordinary Capital. The cost of the investments in the first operation is estimated at US\$542 million, to be financed with a loan of up to US\$305 million and a counterpart contribution of US\$237 million. Table I.2 shows the distribution of estimated costs and source of financing for each component of the first individual operation under the new CCLIP.
- 1.24 The following items are also included: (i) administration, supervision, and audits, intended to cover the program's administration and supervision expenses, banking expenses, evaluations, and external financial audits; (ii) finance charges, interest and commitment fee; and (iii) contingencies, which will cover potential cost overruns for executing the works.

Table I.2. Costs and Financing (US\$ million)

Investment category or component	IDB	Local contribution	Total	%
Component 1. Water supply system				
a. Metering and consumption	10.0	0.0	10.0	2
Component 2. Sanitation system				
a. Moreno and San Miguel systems	169.0	31.0	200.0	85
b. Berazategui outfall and consumption	120.0	139.9	259.9	
Component 3. Business management strengthening	5.0	0.0	5.0	1
Administration, supervision, and audits	0.0	10.0	10.0	2
Finance charges	0.0	22.4	22.4	4
Interest and commitment fee				
Contingencies	1.0	33.7	34.7	6
Total costs	305.0	237.0	542.0	100
Percentages	56	44	100	

³⁵ This Institute was founded to provide training for AySA staff, which builds the capacity of its employees and, hence, improves the company's performance.

C. Key outcome indicators

- 1.25 The Results Matrix (Annex II) includes the program's outputs and outcomes. Table I.3 shows the key indicators.

Table I.3. Key expected outcomes

Outcome indicator	Unit of measurement	Baseline (2016)	At project completion
Daily losses in regulated systems	m ³ /day	439,066	395,159
Households with wastewater treated in Las Catonas	No. of households	38,133	94,133
Households with sewerage service in Moreno		58,035	66,836
Households with sewerage service in San Miguel		39,316	49,977
Households with wastewater properly disposed of through the Berazategui sewage outfall		0	1,333,333

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 **Modality and financial structure.** The financing modality will be a CCLIP for up to US\$960 million (paragraph 1.10), with three loan operations. The first operation under the CCLIP will be structured as a specific investment program and financed with a loan for up to US\$305 million from the Bank's Ordinary Capital.
- 2.2 The borrower's local contribution for the CCLIP is estimated at US\$400 million and for the first individual operation at US\$237 million, of which up to US\$31 million could come from bilateral financing from the European Investment Bank (EIB). The EIB has approved a loan to the Argentine government for investments related to the Las Catonas plant for up to US\$31 million (paragraph 3.3). In any event, the borrower pledges to contribute the funds, using its own resources. If necessary, the EIB and IDB may, by signing the respective agreement, agree on the mechanisms for collaboration, supervision, information-sharing, and assistance for coordinating implementation of their respective loans, in accordance with the IDB's applicable policies and procedures.
- 2.3 **Execution and disbursement period.** The term of the CCLIP will be 12 years, which is considered appropriate considering up to three individual operations would be financed, each of which would have an estimated execution period of four years. For the first operation under the CCLIP, the execution period will be four years (Table II.1 and [OEL#9](#)), which is consistent with the multiyear execution plan ([REL#1](#)), the startup of the bidding procedures and referendum before the loan enters into effect ([REL#4](#)), the capacity and strong performance of the executing agency, lessons learned from previous operations (paragraph 1.14), and the current term and already completed incorporation of the districts of Moreno and San Miguel into the concession area (paragraph 1.4). The startup of program execution is based on the availability of studies and final designs for the works to be financed by the program (paragraph 2.10).

Table II.1. Disbursement schedule (US\$ millions)

Financing	Year 1	Year 2	Year 3	Year 4	Total
IDB	43.5	138.1	69.1	54.3	305.0
Cumulative %	14.3%	59.5%	82.2%	100%	
Local	30.5	59.4	77.1	70.0	237.0
Total	74.0	197.5	146.2	124.3	542.0
Cumulative %	13.9%	50.3%	77.1%	100%	

- 2.4 **Eligibility of individual operations.** In addition to meeting the eligibility requirements established in the Bank's policy for individual operations under a CCLIP (paragraphs 1.11-1.12), the agreement for this CCLIP will establish that the individual operations must be executed: (i) in areas incorporated into the scope of the AySA concession; and (ii) during the term of the concession or extensions thereof.

B. Risks

- 2.5 **Environmental and social considerations.** The sanitation solutions to be financed by the program are expected to improve the quality of life of inhabitants of the districts in the first, second, and third rings of the conurbation. As provided in the Environment and Safeguards Compliance Policy (OP-703), this has been classified as a category "B" operation. However, based on their characteristics, the works may have localized adverse socioenvironmental impacts, for which there are appropriate mitigation measures, which have been included in the Environmental and Social Management Plan ([ESMP](#)). As of now, Environmental and Social Analyses ([ESA 1](#)) and ([ESA 2](#)) have been produced along with ESMPs for both components: (i) the Berazategui sewage outfall; and (ii) projects in the districts of Moreno and San Miguel (systems, collectors, and wastewater purification plant). These plans include mitigation measures for the impacts and risks identified in the ESMP. AySA held consultations for both projects on 8 and 10 May 2017, one in the districts of Moreno and San Miguel, and the other in Berazategui, and the consultation results reports are included in the respective ESAs and ESMPs.
- 2.6 The executing agency has also been asked to conduct additional studies such as one on gases and odors for the Las Catonas plant, to be delivered no later than six months after starting up the plant, and another for the Berazategui sewage outfall no later than three months after signing the contract. If the program includes the sewage waste-to-energy project at the Las Catonas plant, an environmental and social evaluation of that facility should be delivered before starting the work, together with a report with the results of an additional public consultation with affected parties in the urban area immediately surrounding the plant. The "Legal Requirements" section of the program's Environmental and Social Management Report ([REL#3](#)) establishes the special environmental and social contractual conditions applicable to the first operation under the CCLIP. Both environmental studies, for the Las Catonas plant and the Berazategui sewage outfall, were released online on the IDB and AySA websites.
- 2.7 **Fiduciary risks.** AySA has ample experience in executing IDB projects and the latest Institutional Capacity Assessment System ([OEL#3](#)) analysis shows a satisfactory level of development and a low level of risk. The risk analysis performed using the Bank's sovereign-guaranteed project risk management

methodology identified a medium risk of delay in the flow of counterpart funds, for which coordination with the institutions involved has been planned as a mitigating action to guarantee the payments schedule planned in the financial flow.

- 2.8 **Other risks.** In addition, other medium risks were identified as follows: (i) deviations from programming (time – scope and costs) due to external actors, for which mitigating measures are planned, including coordination with institutions involved within the framework of the APLA Advisory Committee (paragraph 1.3), which periodically brings together representatives from AySA and the municipios within its jurisdiction and thus streamlines the processing of work permits, environmental certificates, and land titles, and leaves room in the works contracting period to address possible delays in the legalization of consortia among contractors interested in submitting bids; and (ii) devaluation of the dollar against the local currency, for which a line item has been included in the cost table to provide for contingencies and cost escalation (paragraphs 1.23-1.24).
- 2.9 Future individual operations under the CCLIP would have a medium risk associated with the term of the concession (currently until 2026), and to a lesser extent the inclusion of new districts in the concession area. This risk will be analyzed when those operations are being prepared in order to ensure that they are executed during the concession term or extensions thereof (by agreement between the national government and AySA), and in areas effectively incorporated into the concession. It will be mitigated by monitoring the extension of the concession and the actual incorporation of the new districts in the concession area will be analyzed. These risks are considered covered for the first operation by the current concession period and the incorporation of the districts of Moreno and San Miguel within AySA's concession area (paragraph 1.4).

C. **Special considerations**

- 2.10 **Technical feasibility.** The projects continue the lines of work and priorities of the previous CCLIP (paragraph 1.1) and are in keeping with the needs arising from the inclusion of new districts in the conurbation under AySA. The water projects focus on activities to control pressure and measure consumption in order to reduce losses and waste and thus generate savings that can be used in new or underserved areas. The sanitation projects seek to meet the needs for expanding sewerage system service, including treatment, in the districts of Moreno and San Miguel, recently incorporated under AySA. In addition, the plan is to improve the Berazategui effluent disposal system to ensure adequate dilution and protect the water intakes in the River Plate. The proposed works are in line with a comparative analysis of the alternatives available and a medium- and long-term perspective. The projects have been developed in accordance with generally accepted engineering standards and principles and tap the experience gained during execution of the three earlier operations, as well as other similar projects executed by AySA. Although not all of the projects have been completed, studies to date have made it possible to establish their feasibility and estimate the investment costs required with a good degree of confidence, including resources to address contingencies ([OEL#2](#)). Before sending the respective bidding terms, AySA will send the Bank the final designs for the following projects: (i) sewerage systems in Moreno and San Miguel and expansion of the Las Catonas purification plant; and (ii) construction of the Berazategui sewage outfall.

- 2.11 **Socioeconomic viability.** A cost-benefit evaluation was conducted on the projects to make the water and sanitation system in the districts of Moreno and San Miguel more efficient in addition to a cost-effectiveness evaluation of the Berazategui outfall. The costs considered were incremental investment and operational and maintenance costs. The economic benefits of the sanitation projects were quantified using willingness-to-pay values (WTP) updated as of April 2017. The benefits of the project to make the water system more efficient were quantified using a demand curve. The cost-effectiveness analysis of the Berazategui project compared two treatment options (treatment by dilution and secondary treatment) using the long-term average incremental cost per m³ treated. The results of the analysis show that the program is socioeconomically viable with internal rates of return above 12%. The cost-effectiveness analysis confirmed that the dilution treatment option results in a lower average incremental cost per m³ treated. The evaluation was supplemented by a sensitivity analysis ([OEL#1](#)).
- 2.12 **Ability to pay.** The monthly charge for service was verified as being less than 5% of family income for the quintile corresponding to the program's beneficiary population, based on AySA's current rates and using the basic average payment for water and sanitation, assuming monthly residential water consumption of 30 m³. In addition, AySA's rate schedule includes a subsidized rate for poor and vulnerable population segments.
- 2.13 **Financial viability and sustainability.** The financial analysis was performed based on AySA's financial statements for the last three years, historical operating information, and financial projections. The model indicates that: (i) last year's rate adjustment has had a significant impact in terms of improving AySA's financial situation; (ii) the inclusion of new districts in the concession area has a net negative impact on AySA's financial equilibrium; (iii) with the rate adjustment, AySA will cover approximately 85% of its operating costs for 2017 with rate revenue (adjusted for uncollectable accounts) and contributions from the national government equal to the subsidized rate; (iv) the company's medium-term goal is to close the gap and also to begin to cover a portion of operation and maintenance investments, which will require additional measures in upcoming years; and (v) if this target is not met, current transfers from the federal government will be required (paragraph 3.6). During execution of the operation, achievement of the cost recovery indicator, to be included as part of AySA's management indicators, will be monitored.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Execution plan for the first individual operation.** The borrower will be the Argentine Republic and the executing agency will be AySA, which will execute the loan through its Office for IDB Loans³⁶ by: (i) programming the operation's activities, identifying and coordinating with AySA's internal divisions and national, provincial, and municipal agencies as required on the actions necessary for executing the components; (ii) preparing program procurement; (iii) conducting financial administration; and (iv) monitoring, tracking, and evaluating results. To perform these tasks, AySA's Office for IDB Loans will be comprised of a professional team working full-time on the program, including a coordinator, a financial administration specialist, a procurement specialist, and project managers, appointed by the Planning Office. To support the SSRH as provided in the management strengthening component, that Office will provide technical leadership for execution, for which it: (i) will be the interlocutor with the entities involved; and (ii) will inform AySA of confirmation of the terms of reference and the acceptance of and/or observations regarding the outputs developed by the contracted firms or consultants.
- 3.2 **Procurement.** Works, goods, and consulting services will be procured in accordance with the Policies for the Procurement of Works and Goods Financed by the IDB (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-9), both from March 2011. All procurements must be included in the procurement plan approved by the Bank through the Procurement Plan Execution System and adhere to the methods and ranges indicated therein, as described in the fiduciary agreements and requirements (Annex III). The executing agency and the Bank have agreed on a procurement plan itemizing procurements for the first 18 months of execution ([REL#4](#)).
- 3.3 The portion of the local contribution of the program financed using proceeds from the EIB loan, which has already been approved, and the contract for which is being negotiated (paragraph 2.2), will be used to finance the expansion of the Las Catonas plant, also financed by the IDB. Given this situation, the Board of Executive Directors is asked to approve a waiver to the contractor eligibility requirements established in the Bank's procurement policies (document GN-2349-9) to allow the participation of companies in European Union countries that are not members of the Bank in bidding on this work. This is with the understanding that the loan contract with the EIB will establish the applicability of the Bank's policies and procedures, which means acceptance of the Bank's no objections and the technical, socio-environmental, procurement, and fiduciary requirements for this work, in order to prevent execution delays.
- 3.4 **Advances of funds.** Disbursements will be made using the advance of funds modality, based on actual liquidity needs, for a maximum period of six months, in accordance with the investment timeline and the required flow of funds, pursuant to the Financial Management Guidelines for IDB-financed Projects (document GN-2811), as described in Annex III on Fiduciary Agreements and Requirements.

³⁶ This office is responsible for the operational and administrative management and coordination of the loans with the IDB and was responsible for execution of the individual operations under CCLIP AR-X1013.

In accordance with the evaluation of the supporting documentation presented by the executing agency, the recommendation for this operation is to use a minimum percentage of 65% for replenishing advances of funds (Annex III).

- 3.5 **Audits and inspection.** For flexibility in contracting the auditing service for the operation, there is the option to use any of the institutions eligible for auditing IDB-financed operations. When the time comes to begin the contracting process, the executing agency will ask the Bank for the short list of institutions that can be invited to participate. Reports will be prepared in accordance with the terms of reference suggested by the Bank based on the Financial Management Guidelines for IDB-financed Projects (document GN-2811).
- 3.6 **Financial sustainability.** To ensure the financial sustainability of AySA and water and sanitation services in the conurbation (paragraph 2.13), the borrower's commitment to effect timely transfer of national budget resources to AySA in the event that rate revenue does not cover administrative, operational, maintenance, and depreciation expenses for the works financed using program funds will be a contractual condition on financial sustainability. To demonstrate compliance with that condition, the borrower, through the executing agency, will submit AySA's financial statements, within 180 days following the end of each year.

B. Summary of results monitoring arrangements

- 3.7 Monitoring will be carried out using the Bank's supervision instruments, which include: the multiyear execution plan, the annual work plan ([REL#1](#)), the procurement plan, the results matrix (Annex II), the progress monitoring report ([OEL#5](#)), and the risk management plan. AySA will submit semiannual reports, describing progress made, the results obtained, AySA's management indicators, and an action plan for the subsequent six-month period, within 60 days following the end of each six-month period.
- 3.8 The monitoring and evaluation arrangements include a data collection plan and its budget ([REL#2](#)). AySA will be responsible for monitoring and evaluation of the projects, for which it can hire independent consultants agreed upon with the Bank. An independent midterm evaluation, which will include environmental and social considerations, will be conducted during program execution, 36 months after the date the program takes effect or when at least 60% of the loan funds have been disbursed, whichever occurs first. The final evaluation will be performed within 90 days following the date of the program's last disbursement and will include an evaluation of the results and an ex post socioeconomic evaluation.

Development Effectiveness Matrix		
Summary		
I. Corporate and Country Priorities		
1. IDB Development Objectives	Yes	
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Climate Change and Environmental Sustainability -Institutional Capacity and the Rule of Law	
Country Development Results Indicators	-Households with new or upgraded access to drinking water (#)* -Households with new or upgraded access to sanitation (#)* -Households with wastewater treatment (#)*	
2. Country Development Objectives	Yes	
Country Strategy Results Matrix	GN-2870-1	Increase the water and sanitation coverage, particularly in the Norte Grande region and the Buenos Aires conurbation.
Country Program Results Matrix	GN-2884	The intervention is included in the 2017 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability	Evaluable	
3. Evidence-based Assessment & Solution	10.0	
3.1 Program Diagnosis	3.0	
3.2 Proposed Interventions or Solutions	4.0	
3.3 Results Matrix Quality	3.0	
4. Ex ante Economic Analysis	10.0	
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis	4.0	
4.2 Identified and Quantified Benefits	1.5	
4.3 Identified and Quantified Costs	1.5	
4.4 Reasonable Assumptions	1.5	
4.5 Sensitivity Analysis	1.5	
5. Monitoring and Evaluation	7.5	
5.1 Monitoring Mechanisms	2.5	
5.2 Evaluation Plan	5.0	
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood	Low	
Identified risks have been rated for magnitude and likelihood	Yes	
Mitigation measures have been identified for major risks	Yes	
Mitigation measures have indicators for tracking their implementation	Yes	
Environmental & social risk classification	B	
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Accounting and Reporting. Procurement: nformation System.
Non-Fiduciary	Yes	Environmental Assessment National System.
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Gender Equality		
Labor		
Environment		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan		

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

The specific objectives of the operation are to: (i) improve access to the sewage system in priority areas, ii) avoid pollution of receiving water bodies through wastewater treatment and adequate disposal, and iii) increase the availability of drinking water due to the improvement in the efficiency of the distribution and consumption system.

The diagnosis presents a clear description, based on empirical evidence, of the problems related to the low levels of access to sewage systems, low coverage of wastewater treatment and inadequate disposal of effluents, and inefficiencies in the distribution of drinking water in the intervention areas. Also, it identifies the main factors that contribute to these problems, which are directly related to the actions proposed by the program. Although the beneficiary population is generally well described, it was not possible to precisely identify the direct beneficiaries in some of the programs components.

The results matrix reflects a clear vertical logic where there is a direct relationship between products and expected results. The indicators are SMART and the means of verification are identified; however, the causal chain would have been strengthened by incorporating into the results matrix a health-related impact indicator that complements the environmental ones.

The ex-ante economic analysis is complete and includes a cost-benefit analysis for the improved efficiency in drinking water distribution project and for the sewer system expansion project in Moreno and San Miguel. It also includes a cost-effectiveness analysis for the construction of the new water disposal system in Berazategui. The results suggest that the projects are economically feasible in various sensitivity scenarios.

The monitoring and evaluation plan includes a monitoring scheme based on standard instruments, including the results matrix, the Program Execution Plan (PEP), the Annual Operational Plans (POA), and semi-annual reports, among others. For effectiveness evaluation, the plan considers an ex-post socio-economic evaluation using a methodology like the ex-ante evaluation where the key parameters determining economic viability will be updated. Since the plan does not include an impact evaluation to establish the causal relationship between the program and the obtained results, it is expected that the analysis of attribution will be based on the program's theory of change.

RESULTS MATRIX¹

Project name:	Conditional Credit Line for Investment Projects (CCLIP) (AR-O0004). Water and Sanitation Program for the Buenos Aires Metropolitan Area and the Districts in the First, Second, and Third Rings of the Buenos Aires Conurbation (AR-L1257).
Objective:	To expand the coverage and improve the quality of water and sanitation services in the Metropolitan Area of Buenos Aires and the districts in the first, second, and third rings of the Buenos Aires Conurbation. The objective of the first operation under the CCLIP will be to expand sanitation services, increase the availability of water, and improve the environmental conditions of the River Plate, by increasing dilution of wastewater discharge.

Improved environmental and health conditions in the areas of intervention					
Impact indicators	Unit of measure	Baseline	Baseline year	End of project	Comments / Means of verification (MV)
Average BOD concentration in wastewater discharged into the Reconquista River	mg/l of BOD	200	2016	15	<p>Comments: The baseline refers to the situation if the second module of the Las Catonas plant is not built. The target was calculated using plant design parameters.</p> <p>MV: Reports prepared by operating entities on quality of effluents discharged into receiving bodies of water.</p> <p>Responsible party: Executing unit – AySA.²</p>
Dilution level of wastewater in the River Plate discharged by the Berazategui final disposal system	Number	1/3	2016	1/20	<p>Comments: The dilution level is an adimensional value expressed as the ratio between the flow of effluent and the flow of the receiving body of water, in this case the River Plate. The current standard established for the use of the River Plate (Use III – Suitable for recreational activities without direct or secondary contact) is a dilution level of 1/20 (Escherichia Coli < 20,000 MPN/100 ml 90% of the time). The sample will be taken 200 meters from the exit of the current outfall and the diffusers of the new outfall.</p> <p>MV: Executing unit reports based on reports from the AySA Regional Office.</p>

¹ The targets will be reviewed and adjusted during the startup workshop, according to the expected outcomes for the final project designs.

² The executing unit is responsible for reporting progress made on the indicators.

Outcome indicators	Unit of measure	Baseline	Base-line year	Year 1	Year 2	Year 3	Year 4	End of project	Comments / MV
Outcome 1: More efficient water supply system in the areas of intervention									
Daily volume of water lost in regulated systems	m ³ /day	439,066	2016	439,066	439,066	417,112	395,159	395,159	<p>Comments: The indicator measures the reduction in losses from regulating pressure by installing 20 smart pressure controllers. The final target of 43,907 m³/day saved would benefit the equivalent of 125,447 additional inhabitants.</p> <p>MV: Executing unit reports.</p>
Daily water consumption in 11 water sectors	m ³ /day	28,803	2016	28,803	28,803	25,923	25,923	25,923	<p>Comments: The indicator measures reduced consumption due to the effect the metered service has on users. Starting with the installation of the meters, the amount of consumption will be reviewed and taken as the baseline. Water sector is defined as the stand-alone urban sector for micro- and macro-metering. These are: Quilmes E1, Ezpeleta, Morón Centro 1, Morón Centro 2 and 3, Villa Maipú, Villa Progreso, San Fernando, Villa Raffo, Lanús Centro, Valentín Alsina, Liniers 1. The target represents a savings of 2,880 m³/day, to benefit the equivalent of 8,230 inhabitants.</p> <p>MV: Same as above.</p>
Outcome 2: Expanded and improved sewerage service in the districts of San Miguel and Moreno									
Number of households in the districts of Moreno and San Miguel with wastewater treated in the Las Catonas plant	No. of households (% of households)	38,133 (143,000 inhab/ 800,679 in total, or 7.86%)	2016	38,133 (17.83%)	38,133	38,133	94,133 (44%)	94,133 (44%)	<p>Comments: Total households able to discharge their “wastewater” to the Las Catonas plant. Baseline corresponds to households benefitting from the retrofitting of the plant financed with loan 3451/OC-AR.</p> <p>MV: Executing unit reports and ex post socioeconomic survey.</p>

Outcome indicators	Unit of measure	Baseline	Base-line year	Year 1	Year 2	Year 3	Year 4	End of project	Comments / MV
Number of households in the district of Moreno with sewerage system service	No. of house-holds (% of house-holds)	58,035 (217,362 inhab/ 507,926 inhab. in total or 42.84%.)	2016	58,035 (42.84%)	58,035	66,836 (49.34%)	66,836	66,836 (49.34%)	Comments: The indicator measures households with market-rate service, with AySA commercial registry and that are invoiced. Baseline calculated with data on number of inhabitants with transformed service at household equivalents (3.75 persons/household) based on information from INDEC's 2010 National Population and Housing Census - population in 2010 in unserved census areas for 2014, projected to 2016. MV: Executing unit reports and ex post socioeconomic survey.
Number of households in the district of San Miguel with sewer system service	No. of house-holds (% of house-holds)	39,316 (147,435 with sewer service/292,753 in total, or 50.36%)	2016	39,316 (50.36%)	39,316	49,977 (64%)	49,977	49,977 (64%)	
Outcome 3: Transport and proper disposal of effluents at the Berazategui outfall									
No. of households with wastewater properly disposed of	No. of house-holds	0	2016	0			1,333,333	1,333,333	Comment: Proper disposal means that the self-purification capacity of the receiving body of water is efficiently utilized. For use of the River Plate (Use III – Suitable for recreational activities without direct contact), the current standard establishes a dilution level of 1/20 (Escherichia Coli < 20,000 MPN/100 ml 90% of the time). MV: Executing unit reports and ex post socioeconomic census.

OUTPUTS:	Estimated cost (US\$)	Unit of measure	Base-line	Year 1	Year 2	Year 3	Year 4	End of project	Comments / MV
Component I: Water supply systems									
Micrometers installed	4,313,066	Micrometers	0			16,174	16,174	16,174	MV: Provisional acceptance certificates and AySA onsite supervision reports.
Instruments for measuring and recording flows	353,000	Instruments	0	12				12	MV: Same as above.
Pressure control instruments installed in water sectors	666,667	Instruments	0		5	15	20	20	MV: Provisional acceptance certificates and AySA internal onsite supervision reports.
Headwater pipelines installed	4,666,667	Meters	0			20,000		20,000	MV: Same as above.
Component II: Sanitation system									
Las Catonas plant expanded	92,000,000	Plant	0				1	1	MV: Same as above.
Kilometers of Las Catonas collector constructed	22,500,000	Km	0	0.77	3.8	0.5	-	5.0	MV: Same as above.
Kilometers of Marilo collector constructed	7,100,000	Km	0		2.0	0.5	-	2.5	
Kilometers of secondary systems constructed in the district of Moreno	38,620,000	Km	0		107	17		124	
Kilometers of secondary systems constructed in the district of San Miguel	39,100,000	Km	0		102	16		118	
Barker pumping station expanded	680,000	Station	0		1			1	
Kilometers of Berazategui outfall constructed	259,908,642	Km	0		3	3	1.5	7.5	MV: Same as above.
Component III: Business management strengthening									
Monitoring stations equipped for measuring water quality in the River Plate basin	500,000	Stations	0				1	1	Comments: One station equipped for monitoring water quality. MV: Executing unit report
Study reviewing the regulatory system finalized	400,000	Study	0			1	1	1	MV: Executing unit reports on status of the study.

OUTPUTS:	Estimated cost	Unit of measure	BL	Year 1	Year 2	Year 3	Year 4	End of project	Comments / MV
Number of persons trained by the AySA Professional Training Program	700,000	Persons	0			100	200	200	Comments: Program intended for AySa senior and middle managers and interested staff. MV: Executing unit reports
University Water and Sanitation Institute (IUAS) outfitted and equipped.	1,300,000	Institute equipped	0				1	1	Comments: Involves performing works and installing equipment in the space assigned by AySA. MV: Certification status of work and purchase and installation of equipment.
System implemented for efficient management of water distribution systems	1,000,000	System	0			1	1	1	Comments: Executing unit reports on the system's development status, based on executing agency reports. MV: Executing unit reports based on reports from internal area leading the project.
Works information management system implemented	600,000	System	0				1	1	Comments: Same as above. MV: Executing unit reports based on reports from internal area leading the project.
Study to evaluate problems of internal installations and effective connection	500,000	Study	0				1	1	MV: Executing unit reports on status of study.

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country: Argentina
Project No.: AR-L1257
Name: Water and Sanitation Program for the Buenos Aires Metropolitan Area and the Districts in the First, Second, and Third Rings of the Buenos Aires Conurbation. First Loan under the CCLIP (AR-O0004)
Executing agency: Agua y Saneamientos Argentinos S.A. (AySA)
Prepared by: Brenda Álvarez Junco and Juan Carlos Lazo (FMP/CAR)

I. EXECUTIVE SUMMARY

- 1.1. The Bank analyzed the institutional capacity of the program using the Institutional Capacity Assessment System (ICAS).
- 1.2. The Bank's financing for this first individual operation is for up to US\$305 million (AR-L1257), financed under the CCLIP (AR-O0004) for up to US\$960 million. The loan's area of influence seeks to: (i) increase the availability of residential sewerage service; (ii) prevent the contamination of receiving bodies of water through appropriate treatment of effluents; (iii) increase the availability of water through savings from implementing a Metering and Consumption Plan; and (iv) minimize the environmental impact on the River Plate through proper transport of treated sewage to the planned disposal area in the River Plate and complete the final disposal of effluents previously treated by the Berazategui Plant with the correct dilution.
- 1.3. The program allows for a small portion of the local contribution for this first individual operation to be financed with proceeds from a European Investment Bank (EIB) loan to the Argentine Republic, the contract for which is being negotiated (up to US\$31 million).

II. THE EXECUTING AGENCY'S FIDUCIARY CONTEXT

- 2.1. AySA's institutional capacity was assessed, covering its programming, administrative organization, personnel administration, management of goods and services, financial administration, and internal and external control. The assessment found that AySA has a satisfactory level of institutional capacity and development, and a low level of risk for program execution and subsequent administration of the works.

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 3.1. The institutional capacity analysis performed on AySA's Office for IDB Loans using the ICAS tool did not reveal significant fiduciary risks. In addition, the risk analysis

conducted using the sovereign-guaranteed project risk management methodology identified a medium risk of delays in the flow of counterpart funds, for which coordination with the institutions involved has been planned as a mitigating action, to guarantee the payment schedule planned in the financial flow. The recommendation is to ensure that knowledge of IDB policies is refreshed among staff associated with the project; this is already included in the supervisory activities of the Financial and Procurement Management team in the Country Office in Argentina (FMP/CAR).

IV. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE CONTRACT

- 4.1. To streamline contract negotiations by the project team, primarily the Legal Department, below are the agreements and requirements to be considered in the special conditions or in the sole annex and that may be updated or modified during program execution, as applicable, with prior documentation and authorization by the Bank:

A. Disbursement management

- 4.2. The recommendation for this operation is to use a minimum percentage of 65% for replenishing the advances of funds. The justification for the request by the program execution unit is based on the following:
- a. Experience in recent operations executed by AySA provides empirical evidence showing that this is the average level of justification allowing funds to flow in a manner that does not affect programming.
 - b. Executing a large number of different types of works involves many contingencies, and a 20% balance in advances is too small a margin for potential certifications or advances of funds for civil works.
 - c. The execution mechanism is complex.
 - d. The flows and processes of the executing agency's administrative and financial systems involve extended periods.

B. Audit management

- 4.3. For flexibility in contracting audit services for the operation, the option will be kept open for various institutions eligible for auditing IDB-financed operations (so that both the National Audit Office (AGN) and independent firms will be contractually eligible to do program audits). When the time comes to initiate the contracting process, the executing agency will ask the Bank for the short list of institutions that may be invited to participate.

C. Funds transfer

- 4.4. Considering that the borrower is the Argentine Republic and the executing agency is a distinct legal entity, the borrower and the agency must formalize an agreement for the transfer of loan funds. Thus, **a special condition precedent to the first disbursement will be included requiring the signing of a fund transfer agreement between the borrower, represented by the MIOPyV, and the executing agency, under terms previously agreed upon with the Bank, and**

will include, *inter alia*: (i) the mechanism for transferring the loan proceeds and the counterpart contribution from the borrower to the executing agency; and (ii) the executing agency's commitment to use the funds and carry out the program's activities in accordance with the terms of the loan contract.

V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

- 5.1 **Procurement execution.** The fiduciary agreements and requirements for procurements establish the applicable provisions for carrying out all procurements planned under the operation.
- 5.2. The policies for the procurement of goods and works financed by the Inter-American Development Bank (document GN-2349-9) of March 2011 and the policies for the selection and contracting of consultants financed by the Inter-American Development Bank (document GN-2350-9) of March 2011 will apply. In this regard, the procurement processes have been simplified to ensure the requisite operational responsiveness while taking into account the need for transparency, probity, and legitimacy in the use of resources.
- 5.3. Of the country subsystems approved by the Bank, the information system will be used.
- a. **Procurement of works, goods, and nonconsulting services:** Works, goods, and nonconsulting services¹ arising under the project and subject to international competitive bidding (ICB) will be procured using the standard bidding documents (SDBs) issued by the Bank. Bidding processes subject to national competitive bidding (NCB) will be executed using national bidding documents agreed upon with the Bank. The program sector specialist is responsible for reviewing the technical specifications of procurements during preparation of the selection processes. Direct contracting is not anticipated.
 - b. **Selection and contracting of consultants:** Consulting service contracts arising under the program will be executed using the standard request for proposals issued by the Bank. The program sector specialist is responsible for reviewing the terms of reference for the contracting of consulting services. Direct selection of consulting firms is not anticipated.
 - c. **Selection of individual consultants:** Individual consultants will be selected on the basis of their qualifications to do the work, based on a comparison of the qualifications of at least three candidates. The program sector specialist is responsible for reviewing the terms of reference for the contracting of consulting services. In the cases of service contracts, the consultants will submit a midterm or final report as the executing agency requires. For contract renewal purposes, approval by the relevant authorities of a satisfactory performance evaluation will be sufficient. The evaluation will be performed once a year to facilitate its approval by the respective authorities. Direct contracting of individual consultants is not anticipated.

¹ Policies for the procurement of works and goods financed by the Inter-American Development Bank (document [GN-2349-9](#)) paragraph 1.1: Nonconsulting services are treated as goods.

- d. **Training:** While the institutional strengthening component calls for contracting training services, these services had not been identified when these documents were prepared. However, the procurement plan is expected to describe procurements associated with the program's components that include training, and they will be contracted as consulting or nonconsulting services.
- e. **Recurrent expenses:** Recurrent or operating and maintenance expenses required during the life of the program will include: per diems, traveler's insurance, office lease, supplies, office expenses, and other costs involved in running the program, which will be financed by the program under the annual budget approved by the Bank. Recurrent expenses also include the cost of consultants hired to assist the executing agency during the program execution period. However, operating expenses do not include salaries for government employees. Recurrent expenses include items such as taxes on debits and credits in checking accounts, stamp taxes on purchase orders, publication of bid notices, and contracted supervision.
- f. **Other:** Cofinancing through local contribution. The plan is to allocate a portion of the local contribution for the program using funds from an EIB loan, the contract for which is being negotiated (for up to US\$31 million). Those funds will be used to finance the "Las Catonas Plant Expansion" work included in this program. Accordingly, the Bank recommends granting a waiver to the eligibility requirements for contractors established in the Bank's procurement policies (document GN-2349-9) to allow companies in European Union countries that are not members of the Bank to participate in bidding on this work. This is with the understanding that the loan contract with the EIB will establish the applicability of the Bank's policies and procedures and acceptance of the Bank's no objections and/or technical, socio-environmental, procurement, and fiduciary requirements related to the work to be financed from both sources, to prevent execution delays.

Table of Thresholds (US\$ thousands)

Works			Goods			Consulting Services	
International competitive bidding	National competitive bidding	Shopping	International competitive bidding	National competitive bidding	Shopping	International publicity	Shortlist 100% national
≥25,000,000	< 25,000,000 ≥350,000	< 350,000	≥ 1,500,000	< 1,500,000 ≥100,000	< 100,000	>200,000	<1,000,000

Thresholds for Ex Post Review

Works	Goods	Consulting firms	Individual consultants
< 15,000,000	< 1,500,000	< 500,000	<50,000

Main procurements

Activity	Type of bidding	Estimated date	Estimated amount US\$
Works			
Berazategui outfall	ICB		259,908,642.00
Expansion of the Las Catonas plant	ICB		92,000,000.00
Goods			
Provision of pressure control equipment to reduce losses within the district metering area. Includes installation, communication, and web service	ICB		666,667.00

5.4 Procurement supervision:

- Procurement will be supervised on an ex post basis as indicated in the table above. Ex post review visits will be made every 12 months. Ex post review reports will include at least one physical inspection visit, selected from procurements subject to ex post review. At least 10% of the reviewed contracts will be physically inspected during the program.
- The thresholds for ex post review are based on the executing agency's fiduciary capacity for execution and may be modified by the Bank to the extent of any change in such capacity.

5.5 Special provisions: The provisions of the Bank's procurement policies (documents GN-2349-9 and GN-2350-9) concerning prohibited practices (multilateral organizations' lists of ineligible firms and individuals) will apply.

5.6 Records and files: AySA will maintain a central filing system with the respective procedures and safeguards, and will ensure that the files for each procurement are properly collated, organized, and filed.

VI. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

- 6.1 The Financial Management Guidelines for IDB-financed Projects (document GN-2811) and the Financial Management Operational Guidelines for IDB-financed Projects (document OP-274-2) will apply.

A. Programming and budget

- 6.2 The Office for IDB Loans is responsible for preparing and programming the annual budget and for performing all procedures aimed at consolidating the annual budget for approval. As the need arises to expand or reallocate budget items, this Office will request the changes and facilitate the process for their approval. Budgetary credits will be executed through quarterly commitment and monthly accrual amounts, which are allocated by the National Budget Office (Ministry of Finance).
- 6.3 The source of the local contribution must be identified, and the timeliness of its availability must be ensured.

B. Treasury and disbursement management

- 6.4 Since this program is cofinanced with Bank resources, the national treasury will transfer the local counterpart funds to the executing unit by depositing them in an account opened by the program to be used exclusively for this loan.
- 6.5 Disbursements will be made on the basis of a detailed financial plan, a template for which has been agreed upon with the Ministry of Finance and the Office of the Chief of Staff and is already known to executing agency staff.
- 6.6 The e-Disbursements modality, the IDB online system that allows the executing agency to electronically prepare and send disbursement requests to the Bank, will be used, reducing transaction costs and allowing the Bank to remotely review and process requests.

C. Accounting, information systems, and reporting

- 6.7 The executing agency will use UEPEX as its financial management system. Cash-basis accounting will be used and the International Financial Reporting Standards will be followed when applicable in accordance with established national criteria. The following financial reports will be required: (i) financial plan with projections up to 180 days following a request for an advance of funds; and (ii) audited annual financial statements. These will be prepared at the end of each fiscal year, upon completion of the operation's execution, and within a period of no less than 120 days and no more than 180 days following the indicated cutoff dates.
- 6.8 For the purposes of Article 4.10 of the General Conditions, the parties agree that the applicable exchange rate will be the rate indicated in Article 4.10(b)(i).
- 6.9 To determine the equivalency of expenses incurred in local currency charged to the local contribution or of reimbursement of expenditures charged to the loan [Article 4.10(c)], the agreed exchange rate will be the rate in effect on the first

working day of the month in which the borrower, executing agency, or any other individual and entity delegated spending authority makes the respective payments to a contractor, supplier, or beneficiary.

D. Internal control and internal audit

- 6.10 AySA's internal audits are performed through the Internal Audit Office, which reports directly to AySA's Board of Directors. There will be follow-up before the start of the operation to review the status of the strengthening opportunities identified under operation AR-L1195.

E. External control: external financial audits and project reports

- 6.11 In 2011, the Bank completed a diagnostic assessment of government audit practices by the AGN. This assessment, performed in accordance with Bank guidelines to determine the degree of development of the public finance management systems, concluded by validating the AGN as an auditor for Bank projects.
- 6.12 The AGN reports to and assists the National Congress in monitoring the public sector financial accounts. Its creation and operations are regulated in Title VII, Chapter I of Law 24,156 on Financial Management and External Control Systems. That statute specifies that the AGN has its own legal status and operational independence, so it also has financial independence, as its assets consist of those allocated to it by the national government, those that formerly belonged to the National Auditing Office, and those transferred for legal reasons.
- 6.13 However, in October 2014, based on the record of timeliness in the submission of audited financial statements in recent years, agreement was reached with the federal government to reduce AGN's portfolio to align it with its real enforcement capacity.

F. Financial supervision²

- 6.14 The initial financial supervision plan is based on risk and fiduciary capacity assessments conducted on the basis of on-site and desk reviews scheduled for the program and includes the scope of operational, financial, and accounting activities; enforcement and legal considerations; frequency; and identification of responsible parties. The plan is to conduct annual financial inspection visits. The ex post review method will be adopted for disbursements.

G. Execution mechanism

- 6.15 The Office for IDB Loans, through the Administration and Finance Office, is responsible for financial management.

² See Financial Management Guide for IDB-financed Projects (document OP-273-6) Annex I, Application of Financial Management Principles and Requirements, Requirement 4: Financial Supervision, and the Financial Management Operational Guide for IDB-financed Projected (document OP-274-2).

- 6.16 The Administration and Finance Office is responsible, *inter alia*, for: (i) preparing the disbursement schedule and the record of program income and expenses; (ii) keeping the accounting records up to date in the UEPEX system, in accordance with the chart of accounts; and (iii) addressing the requirements and observations of the internal and external audits.
- 6.17 Disbursements are made in accordance with the Financial Management Guide for IDB-financed Projects (document GN-2811), which establishes the key aspects of how the financial elements of the operation should be handled.
- 6.18 AySA's Office for IDB Loans request disbursements from the IDB, with copy to the Coordinating Unit for Externally Financed Programs and Projects (UCPyPFE), according to the pace of execution required by the works to be executed and according to the budget and budget allocation available, and will submit to the IDB, with copy to the UCPyPFE, each request for an advance and documentation of expenditures as they occur so that new disbursements can be requested. The funds requested will be received in a U.S. dollar account opened by the UCPyPFE, which will later deposit the proceeds of dollars converted to pesos in a peso account opened by this unit for the purpose, from which it will transfer the peso amounts that AySA requests, to a peso account opened for that specific purpose. The sale of dollars will be carried out by the UCPyPFE only when AySA requests a peso transfer.

H. Other financial management agreements and requirements

- 6.19 N/A.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/17

Argentina. Conditional Credit Line for Investment Projects (CCLIP) AR-O0004
Water and Sanitation Program for the Buenos Aires Metropolitan Area
and the Partidos of the First, Second, and Third Rings
of the Buenos Aires Conurbation

The Board of Executive Directors

RESOLVES:

1. To authorize the President of the Bank, or such representative as he shall designate, to enter into such agreement or agreements as may be necessary with the Argentine Republic to establish the Conditional Credit Line for Investment Projects (CCLIP) AR-O0004, for an amount of up to US\$960,000,000 chargeable to the resources of the Ordinary Capital of the Bank, to cooperate in the execution of the Water and Sanitation Program for the Buenos Aires Metropolitan Area and the Partidos of the First, Second, and Third Rings of the Buenos Aires Conurbation.

2. To determine that the resources allocated to the above-mentioned Conditional Credit Line (CCLIP) AR-O0004 shall be used to finance individual loan operations in accordance with: (a) the objectives and regulations of the Conditional Credit Line for Investment Projects approved by Resolution DE-58/03, as amended by Resolutions DE-10/07, DE-164/07, and DE-86/16; (b) the provisions set forth in documents GN-2246-9 and GN-2564-3; and (c) the terms and conditions included in the Loan Proposal for the corresponding individual operation.

(Adopted on ____ 2017)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/17

Argentina. Loan ___/OC-AR to the Argentine Republic. Water and Sanitation Program for the Buenos Aires Metropolitan Area and the Partidos of the First, Second, and Third Rings of the Buenos Aires Conurbation. First Individual Operation under the Conditional Credit Line for Investment Projects (CCLIP) AR-O0004

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Argentine Republic, as Borrower, for the purpose of granting it a financing aimed at cooperating in the execution of the Water and Sanitation Program for the Buenos Aires Metropolitan Area and the Partidos of the First, Second, and Third Rings of the Buenos Aires Conurbation, which constitutes the first individual operation under the Conditional Credit Line for Investment Projects (CCLIP) AR-O0004 approved on ___ 2017 by Resolution DE-___/17. Such financing will be in the amount of up to US\$305,000,000, from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ___ 2017)