

SUPPORT FOR MODERNIZING THE CORDOBA PROVINCIAL GOVERNMENT**(AR-0257)****EXECUTIVE SUMMARY**

Borrower:	The Province of Cordoba	
Guarantor:	The Argentine Nation	
Executing agency:	The Government of the Province of Cordoba, through the Organismo de Coordinación, Programación de la Inversión y Financiamiento (OCPIF) [Investment Programming and Financing Coordination Agency]	
Amount and source:	IDB: (OC)	US\$215 million
	Local:	US\$215 million
	Total:	US\$430 million
Financial terms and conditions:	Amortization period:	20 years
	Grace period:	4 years
	Disbursement period:	4 years
	Interest rate:	variable
	Inspection and supervision:	1%
	Credit fee:	0.75%
	Currency:	U.S. dollars from the Single Currency Facility
Objectives:	<p>The general objective of the program is to improve the province of Cordoba's financial and administrative management capacity in order to lay the groundwork for a sustainable fiscal balance in the medium and long terms and respond satisfactorily to the demands of society.</p> <p>The main strategic objectives are to: (a) boost the province's capacity to invest using own resources (modernization of the provincial tax administration); (b) achieve higher quality in public spending (budget based on results and stricter financial and procurement controls); (c) introduce greater transparency in fiscal</p>	

and administrative management (publication of results and citizen participation in strategic decision making); (d) support the restructuring of government institutions (introduction of sector agencies); (e) support the management and implementation of public policies in the social sectors, particularly school coverage, assistance for vulnerable groups and access to justice; (f) strengthen the agencies responsible for environmental management, production and infrastructure; (g) improve the efficiency of legislative management and activities; and (h) introduce mechanisms to promote better integration and coordination of the different bodies of the executive branch, the different branches of government (executive, legislative and auditing) and the municipalities.

Description:

A global reform program has been designed for the province of Cordoba to achieve the above-mentioned objectives. This program consists of five components to be coordinated by a provincial government body that specializes in project coordination and execution. The five components are: fiscal administration, general government administration, control over public management, social and citizen promotion, and environmental and economic development. The components have generally been divided into subcomponents which, in turn, are divided into specific projects to be carried out in different areas by the ministry or agency responsible for the sector.

The Bank's country and sector strategy:

The Bank's strategy in Argentina focuses on three main areas: (a) deepening and consolidation of modernization of the State and its extension to provinces and municipalities; (b) increased productivity and competitiveness of domestic production; and (c) poverty reduction and a better quality of life through job creation and greater access to basic services and improvements in their coverage and quality. The proposed program is consistent with this operating strategy since it will help strengthen the public sector and, as a result, will have a positive impact on the delivery of public services to improve the quality of life of different groups. Providing direct support for provinces in modernization of the State and fiscal reform is also consistent with Bank strategy.

Environmental and social review:

The program was reviewed by the Environment and Social Impact Committee (CESI). It is not expected to have negative environmental or social impacts. On the contrary, the program will have a positive impact on the quality of life of the poorest families, particularly female heads of households, through improvements in education and

health care services and broader coverage of programs to assist vulnerable groups. From the environmental standpoint, the program will have a significant positive impact since it includes a specific project to strengthen provincial environmental management.

Benefits:

The program will boost the provincial government's financial and administrative management capacity. An analysis of the financial impact of this loan and a complementary loan by the World Bank indicates that in all the scenarios considered provincial finances will improve overall. The efficiency of public services and attention to society's demands will also increase. In the area of financial management, the principal advantages will be: (a) the introduction of decentralized budget formulation by the government's line areas, which are the areas that deliver end products to citizens; (b) the programming of flows of funds for efficient management of public resources; (c) the introduction of streamlined mechanisms for expeditious collection of revenues and prompt payment of obligations; and (d) the provision of timely and reliable information on income and expenditures that can be used for managerial decision making and as input for the integrated financial information system. The program will also have a positive impact on the quality of life of the poorest families, particularly female heads of households, by expanding access to education and the coverage of programs to assist vulnerable groups. With poor children able to attend school for the first time, their mothers will have time to engage in remunerated employment outside the home, for a positive impact on employment for women.

Risks:

The province of Cordoba recently joined the Bank's program for health care reform, is eligible to receive funds under the program to assist children and adolescents at risk, and is participating in the emergency program to repair the damage caused by El Niño, through the reconstruction of roads and other infrastructure, chiefly in the southern part of the province. The World Bank will also provide support under a sector loan to strengthen the macroeconomic context and privatize the provincial bank, the energy company and the provincial lottery.

Owing to the confluence of all these factors, it is indispensable to coordinate actions to assist the provincial government, particularly those of the two lending agencies, to prevent duplication of efforts. Considering the province's overall debt level, coordination is also necessary to ensure that the province will have the solvency necessary to repay the new debt and to provide the counterpart for the program as a whole. The program's design, execution and final scaling take these aspects into account.

Another risk is the less than adequate capacity of the provincial government's own human resources and the need to reassign personnel to the recently-created agencies and new functions. This risk is mitigated by large-scale training programs for managers, professionals and operating staff, with the support of the personnel regulations established in the law. The introduction of a permanent training program will optimize and strengthen the government's human resources.

**Special
contractual
clauses:**

Prior to the first disbursement of the loan, the government of the province of Cordoba will present evidence, to the Bank's satisfaction, that it has: (a) contracted the four coordinators for the program coordination and executing unit (paragraph 3.4); (b) placed in effect the Operating Regulations and its annexes and operating manuals agreed upon with the Bank (paragraph 3.9); and (c) presented the work plan for the first year of the program as part of the initial report (paragraph 3.24(a)).

As a condition precedent to disbursements for the subcomponents for external auditing and the legislative branch, the provincial government will present evidence, to the Bank's satisfaction, that it has signed subsidiary agreements with the Provincial Auditor's Office and the legislative branch, respectively.

As a special condition, the Bank will evaluate every six months the extent to which the annual fiscal targets set out in paragraph 2.3 have been met and will monitor compliance with these targets on a semiannual basis, to determine whether the targets have been fulfilled and, if not, to take such corrective action as is needed (paragraph 3.23).

At the provincial government's request, it is recommended, as a special condition, that costs of up to US\$80 million be recognized for obligations contracted and expenditures made from the local contribution since October 1, 1999 for: (a) up to US\$30 million for modernizing information systems and upgrading technological infrastructure that the government had to perform in preparation for Y2K; and (b) up to US\$50 million for the construction of 100 schools in different parts of the province. Both categories are eligible for cost recognition provided they have complied with requisites substantially similar to those to be established in the loan contract (paragraph 3.18).

**Poverty-
targeting and
social sector
classification:**

This operation does not qualify as a social equity-enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704).

Exceptions to Bank policy: The Argentine Nation will be the guarantor of the loan. However, it will only guarantee repayment of the loan, including interest and fees, but not of the local contribution or the obligations that are incumbent on the provincial government.

Procurement: Procurements of goods and contracts for works and services will be carried out in accordance with the Bank procedures described in Annexes B and C of the loan contract. Works costing US\$5 million and over, goods worth US\$350,000 and over and consulting services over US\$200,000 will be procured through international competitive bidding. Procurement below those amounts made with loan proceeds will be carried out in accordance with provincial procurement procedures that ensure free competition, are not in conflict with Bank policies, and do not prevent firms from the Bank's member countries from participating in the bidding. Consulting services under US\$200,000 will be contracted in accordance with Bank procedures.

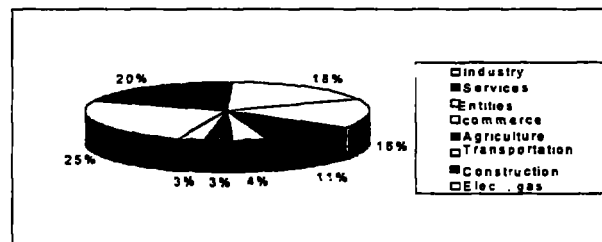
It is recommended that prior consultation with the Bank only be required for individual consulting contracts over US\$50,000 and contracts with consulting firms over US\$100,000. Contracts below those amounts will be reviewed on the basis of ex post sampling. In the event that the agreed procedures are not followed, the costs will not be eligible for Bank financing.

I. FRAME OF REFERENCE

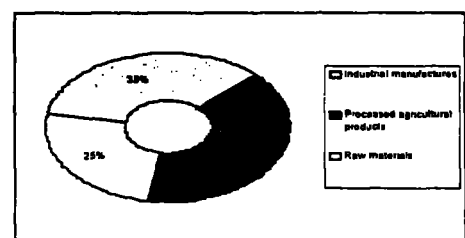
A. General aspects

1. Geographical framework

- 1.1 The province of Cordoba is located in central Argentina and occupies 165,321 km² (or 5.9% of the country). Its population is 3,059,000. Cordoba, its capital and largest city, lies in the middle of the province. Most of the province's economic activity takes place there and it is home to 45% of the population. Average growth in the province's population from 1995-2000 is estimated as 1.1%. Urban dwellers account for some 73% of the population, while nation-wide the figure hovers around 87%. The regions and the departments in each region show a similar distribution of the working population, with two-thirds of formal jobs being concentrated in four cities: Cordoba (53.6%), Río Cuarto (5.6%), San Francisco (2.5%) and Villa María (2.4%).
- 1.2 Argentina's Constitution assigns responsibilities to the federal and provincial governments. It establishes separation between the executive, legislative and judicial branches on both levels. Each province has its own constitution that regulates relations among provincial institutions and between the provincial government and the municipalities. The provinces have jurisdiction over education, the municipalities and the provincial police, and are empowered to organize and develop their own governments. The chief executive is the governor. The legislative branch is composed of upper and lower houses whose members are elected for four-year terms. The judicial branch of the provinces is composed of the Provincial Supreme Court, the Higher Provincial Court, the Appeals Court and courts of the first instance.
- 1.3 Argentina's GDP in 1999 was US\$279,511 million, ranking it third among the Latin American economies (after Brazil and Mexico). Cordoba, with a GDP of US\$23,700 million (in current pesos) is the second-largest provincial economy, after Buenos Aires. Its economy revolves around a wide variety of sectors, including crop and livestock farming, services, commerce, tourism and the catering trade, whose contributions to provincial GDP are distributed as shown in the graph.



- 1.4 Provincial exports account for close to 12.4% of the country's total exports and were worth US\$3,210 million in 1998. About 40% of Cordoba's exports go to Brazil. Historically, its main exports have



been agricultural products or byproducts (soybeans, maize, wheat and sunflower) although since the 1991 Convertibility Plan, it has increased its foreign sales of nonagricultural products, particularly in the automotive industry.

2. The Argentine government's debt policy

- 1.5 At the end of 1999, the province's public sector showed signs of a deep fiscal crisis, whose most prominent symptoms are high deficits and debt. The deficit grew by over 200% between 1997 and 1999, to 4,509 million pesos, not counting income from privatizations.
- 1.6 The first step in reversing this situation was an agreement between the national and provincial governments that resulted in signature of a Federal Commitment on December 6, 1999. Article 6 of that agreement contained a commitment by the provinces and the government of the city of Buenos Aires to enact legislation during 2000 which, under their own constitutional rules, would adopt principles or parameters similar to those established by the federal government in Law 25152 on Administration of State Resources or Fiscal Solvency, with the objective of reducing the fiscal deficit, containing public spending, placing self-limits on borrowing and ensuring fiscal transparency.
- 1.7 The national government is promoting different activities for the financial rehabilitation of the province's public sectors. As the first step, through the Provincial Relations Branch, it designed a program to place provincial finances on a sounder footing. Between January and April 2000, the provinces of Catamarca, Formosa, Jujuy, Chubut, Tierra del Fuego, Tucumán, Río Negro, Chaco and Neuquén formally entered the program by signing framework agreements. Under those agreements, the federal government committed overall aid of 1,433 million pesos during 2000 through the Provincial Development Trust Fund and the Banco de la Nación Argentina. The provinces are required to implement a program to gradually reduce their fiscal deficits and pass laws that are compatible with the federal government's Financial Administration and Fiscal Responsibility Acts and its Budget Act for this year. The measures will mean a reduction in the aggregate deficit of the nine provinces in question by 62%.
- 1.8 In parallel, at the end of May 2000, the government presented a draft federal agreement that covers the objectives of Article 6 of the Commitment. This agreement includes a freeze on spending, a reduction in the deficit until a balance is achieved in 2003, limits on total public borrowing by the provincial governments, guidelines to be followed in a new law on tax sharing, harmonization of provincial taxes and the use of multi-year provincial budgets. The first agreement of this kind was signed in early September between the province of Buenos Aires and the federal government.

- 1.9 In support of these policies the federal government has agreed to coordinate assistance programs that include fiscal aspects for provincial governments with international organizations.
- 1.10 Last, and in relation to the more general framework that governs federal-provincial financial relations, the government presented guidelines for a new federal tax-sharing plan, which offers a review of talking points. These actions respond to the Federal Commitment in which the federal government, the provincial governors and the mayor of Buenos Aires undertook to present a bill on federal tax-sharing to parliament for debate during 2000, in compliance with Article 75(2) of the Constitution.

B. Provincial finances

- 1.11 Cordoba's finances are governed by a framework of fiscal discipline that has its basis in federal and provincial laws. The federal government and the province signed the Federal Commitment, which has been ratified by the provincial legislature. Provincial Law 8836, which was passed in early 2000, establishes that the government should work within the following parameters, among others, in a framework of fiscal responsibility: a balanced budget, zero current deficit, and curbs on growth in current spending and the public debt. Modernization of public finances, coupled with the policy to contain public spending, will make more funds available to the province and enable it to allocate spending more effectively.

- 1.12 Provincial public finances have been affected by the economic recession which has been having a negative impact on the countries of the region since 1998. In addition, inefficiencies in provincial tax administration have traditionally affected Cordoba's capacity to increase its own revenues and control tax evasion. For the tax on gross income alone, evasion is estimated at over 40%. Also, the lack of an integrated financial administration system and an efficient procurement system make control over and efficiency in public spending difficult.

Fiscal performance of the province of Cordoba (US millions)			
	1998	1999	2000 P*
Total income	2,510.6	2,350.3	2,442.2
Current income	2,482.9	2,325.1	2,416.1
Provincial	1,098.2	991.7	1,013.5
National	1,384.7	1,333.4	1,402.6
Capital income	27.6	25.2	26.0
Total spending	2,625.2	2,485.8	2,566.2
Current spending	2,239.0	2,227.8	2,267.7
Personnel	1,213.4	1,256.4	1,307.8
Goods and services	254.1	198.7	194.7
Transfers	643.4	633.7	672.6
Other	128.1	139.0	92.6
Capital spending	386.2	258.0	298.4
Debt stock	1,104.5	1,346.1	1,395.1
Current savings/current income	9.8%	4.2%	6.1%
Results prior to privatizations	-114.6	-135.5	-124.0
Debt stock/current income	44.5%	57.9%	57.7%

Source: Investment accounts for 1998 and 1999.

*Projected

- 1.13 The provincial budget approved for 2000 shows estimated revenues of US\$2.768 billion compared to costs of US\$2.826 billion, with estimated real growth in GDP of 3.5% for the year. Figures for the first six months indicate good budget performance. Costs are US\$30 million higher than in the same period in 1999 owing to larger transfers to the

municipalities and the cost of building 100 schools. Tax revenues grew by US\$37 million after the tax reduction policy was introduced. The results for the period show a deficit that is lower than in the same period in 1999 and a financial surplus of US\$60 million.

1. Public income

- 1.14 The province's tax revenues come from its own taxes and federal government transfers under tax-sharing arrangements. Provincial taxes account for about 40% of current income, the main ones being: the gross income tax, the property tax, the tax for social infrastructure and the stamp tax.
- 1.15 The following table shows the relative importance of the different sources of provincial income in 1999 out of total income and total provincial taxes:

Breakdown of income for 1999 (in percentages)		
	Province of Cordoba (1998)	
	Total income	Total provincial taxes
I. Federal transfers		
Tax-sharing	38.8	-
Transfers for Schools	4.8	-
FONAVI	1.8	-
Highway Fund	2.5	-
Other	8.9	-
Total federal transfers	56.7%	-
II. Provincial income		
Gross income tax	19.3	54.3
Property tax	11.7	32.9
Stamp tax	3.2	9.0
Other	1.3	3.8
Total provincial taxes	35.5%	100%
III. Nontax income	6.6	-
IV. Capital resources	1.1	-
Total provincial income	43.3	-
TOTAL CURRENT INCOME (I+II+III)	98.9	-
TOTAL INCOME	100%	-

Source: Provincial Ministry of Finance

2. Tax administration

- 1.16 The Ministry of Finance's Public Income Department is responsible for provincial tax administration. It is structured into the Property Register, Fiscal Advisory Services and Income Directorates and a Tax Appeals Tribunal.
- 1.17 Analyses of the collection and inspection functions suggest that the provincial tax administration is inefficient. This is compounded by the provincial tax structure and the reduction in the tax base owing to the many exemptions in effect. The Tax Administration itself presents other shortcomings owing to unclear internal rules and procedures that are mechanical and outdated, as are the provincial taxes themselves. There is no efficient system for monitoring tax credits which makes it difficult to track and recover taxes in arrears, and there is no integrated system that provides all the information of fiscal importance for taxpayers.

- 1.18 The human resource management system has no permanent programs for managerial development or specific technical training and, in general, there are no adequate incentives to encourage the efficient performance of administrative functions. The salary system is based on seniority and attendance, which affects innovative capacity and the desire to excel. The decision-making process lacks up-to-date information, is bureaucratic, and strictly dependent on compliance with rules and procedures. There is virtually no citizen involvement. A culture of evaluation is missing since the organization does not view evaluation as a systematic and necessary activity for decision making.
- 1.19 The Tax Administration is launching a plan of action to improve its results. The main goals are to: (i) substantially improve the quality of information for decision making; (ii) incorporate provincial taxes into the Federal Public Income Administration's OSIRIS tax collection system; (iii) ensure the inspection necessary to promote and persuade taxpayers to pay their taxes voluntarily; (iv) carry out operations in the provinces of Cordoba and Buenos Aires to reduce evasion by direct taxpayers and parties withholding taxes under the inter-provincial agreement; (v) provide decentralized taxpayer services; (vi) improve the productivity of the organization's human resources; and (vii) improve the system for the gross income tax deductions at source and collections.
- 1.20 With respect to tax collection, the following should be noted: (i) the moratorium established under Decree 1539/69 will permit debt of over US\$500 million to be recovered under payment plans lasting up to a maximum of 48 months; (ii) collection of tax arrears has been outsourced to the TECCXA company; (iii) 3 million m² of land has been included in the property roll on which no tax had previously been paid.

3. Public spending

- 1.21 Total provincial spending (excluding debt service) is composed of current spending by the government, including personnel costs, goods and services and current transfers (includes distribution of part of the shared taxes and other specific income to the province's municipalities) and capital costs, which include the direct costs of real investments, loans and capital contributions and transfers for public investments. Personnel costs for 60,000 employees account for 50% of the total and 10% is used to procure goods and services, particularly in the fields of education, health care, security and other public services. Provincial law stipulates that 20% of the funds received from government tax sharing are to be transferred to the municipalities, in addition to 20% of the revenue obtained from the tax on gross income. In total, 25% of the province's budget is transferred to the municipalities. The remaining 15% is used for capital investments (10%) and debt service (5%).

4. Financial administration

- 1.22 The Ministry of Finance's Financial Administration Department is responsible for managing provincial spending and internal auditing. It is basically composed of two directorates – Budget and Public Investment and General Treasury and Public Credits – and a General Accounting Office and a General Appraisals Council.
- 1.23 The department needs a new financial administration act and an integrated system for financial administration and internal auditing. An integrated system would make it possible to manage and consolidate all financial information, avoiding duplication of records, and would offer valid tools for management control in the framework of modern public sector financial management.
- 1.24 The budget area does not have a system for budget formulation, performance control or evaluation of results that takes a productive-financial approach to public administration. A system is needed for projecting, monitoring and evaluating the efficiency, effectiveness and economy of public management that links objectives, goals and resources to previously-defined management indicators.
- 1.25 The treasury system does not cover all the jurisdictions and entities in the nonfinancial public sector that receive and use funds. The idea is to replace a 'cash-dispensing' image with financial management. The priorities are to establish better mechanisms that will assure that funds are made available expeditiously and are used effectively and efficiently through government programs, in a context of absolute transparency in their management.
- 1.26 The auditing or internal control function is still in its infancy. Law 24156 established the function nation-wide and it is now being implemented in Cordoba. It is a function of the executive branch as the senior body in charge of managing and administering public finances to ensure that the actions and procedures followed by public employees conform to the rules and that public spending and income are based on the budget and other fiscal and tax rules.

5. The provincial debt

- 1.27 At 31 December 1999, the province posted a public debt of US\$1,352 million, with 17% being external debt. According to the investment accounts, the consolidated public debt was US\$1,022 million as of the same date. Liabilities were reported as US\$331 million.
- 1.28 When the province's public debt is compared to its economy and its tax collection capacity, it is relatively small. The estimated public debt/GDP ratio was about 4.3% for 1998 and 5.6% for 1999, based on estimated provincial GDP of US\$25,900 million and US\$23,700 million for 1998 and 1999, respectively. Provincial debt service accounted for an average of 4.6% of total average expenditures over the period 1994-1999. Cordoba ranked seventh out of all

Argentine provinces in its debt/total resources ratio and in the ratio of debt service/current income.

C. Public management

1. Institutional development

- 1.29 The province is lagging behind other provinces in its programs for structural reform. By way of example, privatization of the provincial bank and the provincial energy company is still pending and the social pension fund has not been transferred to the centralized system, unlike the case in other provinces. There are serious shortcomings in areas that are important for any administration in the fields of planning, human resources and information technology.
- 1.30 Government planning is highly fragmented. An analysis of the responsibilities of government ministries and other agencies shows that the strategic planning function is distributed among various organs of the executive branch, such as the provincial cabinet, the Governor's Office and the Ministry of Public Works. This situation is due to the fact that there is no body in the executive branch with the mandate of defining, monitoring and consolidate strategic provincial policies and objectives, the government's different plans, programs and projects and the provincial budget with investment priorities and the demands of society. The absence of a system of management indicators makes it difficult to identify the real results of the government as a whole.
- 1.31 However, some initial steps are being taken to promote and ensure citizen participation and control, publication of extensive and timely information, transparency in public management, continuous rendering of accounts and full responsibility of public servants for their actions.
- 1.32 As for human resources, analyses and studies of the province performed last year by international agencies (IDB, WB and IMF) and the private sector (international banks) have identified the absence of permanent training opportunities and programs and a consistent policy for assigning human resources as core problems. They translate into poor institutional capacity in the different government agencies to efficiently and effectively provide the services demanded by society. There is also a problem with the location and distribution of public servants in the different government areas.
- 1.33 Investments in information technology have tended to focus on emergency situations such as the changes introduced at the end of 1999 to cope with the Y2K problem. Despite the efforts made, there is still a great shortage of technological resources and information systems in different part of the government. This deficiency directly affects the automation of administrative processes, particularly

contracting, procurement and control of supplies, all of which have an impact on the potential for controlling spending and ensuring its quality.

- 1.34 These shortcomings in human and technological resources augment the inefficiency of the different public management processes, adding to the number of steps in bureaucratic control and processing time. The absence of integrated information systems, information management systems, and the lack of planning experience in the province's public sector consolidate a bureaucratic model of public management – passive, hierarchical and based on controls – which is far removed from modern public management models which operate on the basis of objectives and are result driven.

2. The province and the municipalities.

- 1.35 The province's municipalities suffer from serious political and administrative fragmentation. Cordoba has 249 municipalities and 177 communes, which make it the province with the largest number of local administrations. A large percentage of these municipalities and communes have populations under 10,000 and almost half have fewer than 1,000 inhabitants.
- 1.36 The province's constitution defines municipalities as all settlements with stable populations of over 2,000 and communes as having stable populations of under 2,000. In practice, there are many settlements with populations of under 2,000 that are still considered to be municipalities, since they were classified prior to the 1987 constitutional reform.
- 1.37 This atomization of the municipal system is not desirable for certain public services, which require a minimum scale to be economically efficient. To surmount this situation and achieve economies of scale, 17 regional bodies have been created to coordinate and manage municipal and communal services.

D. Control over public management

1. The legislature

- 1.38 Cordoba is a province with a solid judicial tradition, including respect for democratic institutions. Its legislative branch is bicameral, composed of a senate and house. Members of the house represent the public at large and senators represent each of the 24 departments into which the province is divided. Although both chambers are administratively and financially independent, they maintain close institutional and functional ties.
- 1.39 The problems affecting legislative activity are mainly related to the absence of modern systems for management, monitoring and transparency in the law-making process and structural weaknesses that have been sharpened by a crisis in representation and disillusion with politics. The main shortcomings in the senate

bear on administrative mechanisms and procedures and technological weakness. The house lacks standardized procedures to optimize its activities and there is no clear delimitation of the functions and responsibilities of its administrative staff.

- 1.40 Information systems of all kinds are obsolete and insufficient to support decision making or for controlling legislative management and making legislative activities transparent to citizens. There are no systems for internal auditing to monitor administrative, economic and financial management. Both chambers require majors improvements to the physical plant to function adequately. There is no planning for human resource training and development.

2. External auditing

- 1.41 The Provincial Auditor's Office is responsible for performing external audits of all the province's financial interests and assets and for inspection and supervision of government operations in these areas. Under the constitution, the Provincial Auditor's Office has the following responsibilities, among others: (i) to perform investigations at the request of the legislative branch; (ii) to report to the legislature on fiscal accounts; (iii) to act as prosecutor in suits relating to government accounts; and (iv) to prepare and propose its own budget to the executive branch. Budget constraints have had a substantial impact on the office's ability to perform its work and a process of institutional strengthening is required to enable it to carry out its important oversight functions.

E. Social context and the citizenry

- 1.42 In general, Cordoba ranks among the provinces with the best social development levels, which can be measured using different criteria. If the United Nations Human Development Index is used, Cordoba ranks second, as can be seen in the following table for the central part of the country:

Human Development Index -Selected provinces

Province	1993		1995	
	HDI	Rank	HDI	Rank
Buenos Aires	0.887	4	0.888	6
Cordoba	0.893	2	0.896	2
Entre Ríos	0.874	10	0.876	11
Mendoza	0.883	7	0.886	7
Santa Fe	0.886	5	0.894	4

Source, Argentine Human Development Reports, 1996 and 1998.

- 1.43 Fundación Capital prepared a provincial social ranking based on indicators for income level and distribution, employment, poverty, education and health, and public security in each province.

Provincial social ranking, average 1994-1998		
Rank	Province	Points
2	Cordoba	68.8
5	Mendoza	48.7
6	Santa Fe	47.0
7	Entre Ríos	31.3
9	Buenos Aires	21.0

Source: Fundación Capital, 1999

Cordoba continues to rank second in this classification, with the highest level of life expectancy (72.8 years), a large percentage of residents who had completed secondary school or university (over 30%), low poverty levels (11.3% of households) and relatively equitable income distribution (compared to the country as a whole) being some of the positive aspects.

- 1.44 Nation-wide, there has been a very significant reduction in the infant mortality rate in the last 15 years. In the province of Cordoba the rate fell from 27.1% in 1984 to 16.8% in 1998.¹ However, much more remains to be done to achieve rates similar to those in developed countries.
- 1.45 Although the province is in a relatively favorable position, some social indicators demonstrate that considerable room exists for modernizing, improving and expanding social services in virtually all areas.

1. Vulnerable groups

- 1.46 The adjustment process in Argentina over the last decade had significant impact on social programs and employment in the province, particularly the capital, which has one of the highest levels of industrialization. Factory closings led to large numbers of unemployed who invested their compensation payments in small businesses, taxis or kiosques with few prospects. Once they had depleted or misinvested their funds, they quickly became the 'new poor', swelling the ranks of the 'structural' poor or migrating to nearby cities in the interior.
- 1.47 About 22.7% of the provincial population has unmet basic needs and poverty has more than doubled during the 1990s in Greater Cordoba, from 10.8% to 26.5% of households and from 17.35% to 36.7% of the population. This deterioration hurts children in the city of Cordoba in particular, with 57% living in poor families. Unemployment was 12.5% at the end of 1998 and has worsened since, with young people in low- and middle-income brackets being hardest hit.
- Poverty afflicts 26% of households and 36% of the population.
 - 57% of children in the city of Cordoba live in poor families.
- 1.48 In 1999, the provincial government established the Solidarity Ministry to address those problems, based on a proposal to develop a participative and decentralized management model for social policies to democratically build a more just society. The new social policies are chiefly targeted to vulnerable families and groups (particularly children and youths, the disabled and the elderly) and are also intended to increase citizen participation in solving social problems.

¹ This figure comes from the provincial Ministry of Health and differs from the figure given in the report by the National Health Statistics Program of 17.5%.

2. Education

- 1.49 The 1993 Federal Education Act changed the structure of the Argentine country's education system and raised compulsory schooling from seven to 10 years, beginning with five-year-old kindergarten, followed by three three-year subcycles which constitute general basic education. The old five-year secondary cycle was turned into a three-year noncompulsory 'polymodal' cycle. The law allowed the province to structure their programs as they saw fit, so long as they did not run counter to federal principles. The province of Cordoba established a two-cycle primary level running from grades 1 to 6 and a six-year intermediate cycle – general from grades 7 to 9 and specialized from grades 10 to 12.
- 1.50 The changes took effect during 1996, which means that the 665 secondary schools in existence at that time had to absorb growth of over 100% in enrolment. In parallel, primary schools had surplus capacity which was used for special education. The changes were not accompanied by the investments or technical assistance needed to adapt the infrastructure or train teachers to implement the reforms, as is clear from spending in the sector. Spending on education as a percentage of GDP dropped from 3.6% in 1993 to 2.9% in 1996, which in real terms means a drop of US\$75 million in 1996. The reduced investment in infrastructure is reflected in the fact that in 1999, there were 158 students per school on the primary level and 350 on the secondary level, which means that the number of students per classroom on this last level is higher than it should be.
- 1.51 Although primary school coverage is acceptable compared to countries with equivalent development (96.5%), secondary school coverage is just 64.5% and needs to be improved. There are 13,000 children who do not attend primary school and 125,000 do not have access to secondary school.
- | |
|--|
| <ul style="list-style-type: none">• Primary school coverage: 96.6%• Secondary school coverage 64.5%• Teachers/thousand people: 8• The average number of schools/thousand people is lower than the national average. |
|--|
- 1.52 Internal efficiency in the provincial education system has declined since the 1996 reform. Repeater rates on the primary level rose from 6.6% to 7.3% between 1996 and 1999 and from 11.3% to 12.9% on the secondary level. 1998 was particularly critical, posting the worst indicators in the decade and leaving the province with a repeater rate that was two percentage points higher than the national average. Academic performance measured by national quality evaluation standards fell significantly between 1996 and 1997, from 56 to 51 points in primary school and from 58 to 53 points in secondary school.
- 1.53 The changes in the system's structure were accompanied by an increase of 1,700 teachers on the secondary level and teaching hours rose by 100% between 1993 and 1999. As a result, there are 18 pupils per teacher on the primary level and an average of just eight per teacher in secondary school. This figure indicates that

coverage could be increased significantly without increasing the number of teachers, if new infrastructure and equipment were provided.

3. Health care

- 1.54 Health indicators are somewhat better than the national average. However, the health care system has seen a significant rise in spending that does not translate into better services. On the contrary, difficulties in access to services have worsened. About 38% of Cordoba's population is not covered by the public system. When spending on health and the quality of services provided by the province are compared with those of other provinces, high levels of inefficiency are apparent. For example, Cordoba spends 53% more than the province of Santa Fe, but both provinces have the same infant mortality rate. Human resources in the public health sector are not well distributed, with a concentration in urban public hospitals where primary care is provided by physicians although other auxiliary medical personnel is trained to do so, while there are staff shortages in rural hospitals.
- 1.55 The province of Cordoba is participating in a health care reform program financed by the Bank (1193/OC-AR), and therefore the present program includes only a few activities to improve information and management through quality indicators.

4. Justice

- 1.56 The justice system is currently facing a crisis caused mainly by heavy congestion in the courts and slowness in ruling on cases, barriers to access, and lack of legal education and counseling among the low-income population. The province has not fully developed the tools of mediation or other alternative methods of conflict resolution which could clear up the backlog of cases currently before the courts that do not justify putting the legal machinery in motion.
- 1.57 Studies also point to shortcomings in judicial certainty owing to defective mechanisms for preventing, detecting and denouncing acts of corruption and assuring transparency in government actions and procedures. The judiciary is weak in the area of economic crime because its knowledge is out of date and the special code used by the courts to judge economic crimes and corruption in the public administration exists in name only. There are other weaknesses in the field of judicial certainty owing to the absence of modern systems to register commercial activities.
- 1.58 The result is that the justice system has little credibility in the eyes of the citizenry, basically owing to the absence of suitable judicial or public policies to improve the sector as a whole. The creation of a justice area in the executive branch has the main objective – while respecting the independence of the judiciary – of turning justice into a State issue and designing public policies to surmount the crisis in the sector.

F. The environment and economic development

1. The environment

- 1.59 The provincial Environment Act (Law 7343/85) establishes the general principles of environmental preservation, conservation, protection and improvement. It was amended in 1993 and 1999. The legal framework also includes a series of regulations and standards for environmental impact assessments and the management and protection of wildlife and natural resources which, although well organized, still lacks more appropriate tools for control that are duly linked to a systematic approach. From the institutional standpoint, environmental issues have historically not been very relevant in government decisions. Until the Cordoba Environment Agency was established, environmental management was poorly integrated and inefficient, since responsibilities were assigned to different sectors in different government agencies.
- 1.60 Cordoba suffers from environmental problems that are common to other parts of the country: water pollution owing to high urban density, irrational growth, uncontrolled industrial discharges and lack of sanitation infrastructure, environmental deterioration and risks to public health from improper management of solid urban waste, destruction of natural forests owing to logging, over-grazing, urbanization and forest fires which are very frequent in winter, and public institutions that are largely unaware of and unable to cope with planning and integrated environmental management requirements in the province as a whole and in the municipalities and communes.
- 1.61 The Cordoba Environment Agency (ACA) was created under an organizational law to take over functions that had previously been scattered among different agencies. Established on the highest provincial government level, it has the mandate of determining environmental policy, developing and applying management tools, implementing the pertinent laws, performing control and surveillance activities and building capacity and preventive attitudes. It is designed to integrate the functions previously assigned to agencies in different sectors. The ACA plays a very important role in coordination and linkage with the other areas of the provincial government and especially with those in municipal and communal jurisdictions, overseeing compliance with provincial environmental policies.
- 1.62 Although the ACA's organizational structure responds to the objectives for which it was created, it has weaknesses in its technical and administrative staff and suffers from a shortage of technical and material resources. Its staff, inherited from other organizations, is unable to cover the needs of the new technical areas assigned to the agency and therefore requires training. In some cases, it might be necessary to bring in replacement staff to perform its new missions and functions. Ever since it was created, the ACA has suffered from very significant shortfalls in information

systems and logistical support. The equipment and instruments that are indispensable for carrying out its basic activities are either absent or obsolete.

2. Production

- 1.63 The Ministry of Production has the following strategic objectives: (i) to contribute, in its field, to maximizing sustainable development in all provincial sectors and regions; (ii) to make the province competitive in order to attract investments; (iii) to participate more fully in defining national policies relating to provincial economic interests; (iv) to provide comprehensive treatment of problems based on adequate coordination and complementarity in its line areas; (v) to give priority to dialogue with economic actors in order to achieve consensus on policies and programs; (vi) to promote job creation through active policies that lay stress on promoting vulnerable groups with the greatest difficulties in gaining access to the labor market; and (vii) to continuously analyze developments and trends in economic sectors in order to introduce and adjust policies and strategies in advance to forestall undesired impacts.
- 1.64 Overall, the main obstacles to achieving those objectives originate in the lack of planning. The process of preparing plans is deficient and performance goals and indicators are unknown. There has been no concern in government for establishing a rational and orderly way of organizing processes and tasks to achieve objectives. Shortcomings in planning originate in the lack of trained human resources and suitable information.
- 1.65 Despite this situation, the ministry has taken a number of useful steps and, in this stage, it is working to achieve greater efficiency in assisting clients/users, reduce costs for them and for the government and incorporate new products in response to changing demands abroad.

3. Public works

- 1.66 The Ministry of Public Works has the mission of conducting a strategic analysis to clearly identify infrastructure as a component intended to: (i) improve the quality of life; (ii) drive socioeconomic activities and boost their competitiveness; and (iii) develop valid management procedures for project planning and the execution of works.
- 1.67 Since management of public infrastructure investment plans has not kept pace with the reform and modernization processes, it is highly important for the ministry to tackle the challenge of promoting first-generation reforms (reform of the public sector, concessions, privatizations, inclusion of private capital) in conjunction with second-generation reforms (investment strategy, socioeconomic growth policies, production development plans, etc.).

- 1.68 As a complement to the reform laws, the ministry plans to take steps to achieve the following results: (i) surveys and diagnostic studies to be used as the basis for formulating and executing plans and programs for municipal, provincial and inter-provincial planning; (ii) management control in the different areas of infrastructure works; and (iii) monitoring, supervision and inspection.

G. The provincial government's action plan

- 1.69 The current government, which took office on July 12, 1999, presented a program of innovative proposals to modernize the province. It focussed on sweeping changes, such as tax reduction, modernization of the State, openness to the world's financial and commercial markets, privatization and concession of the main public companies, active employment policies and committed fiscal discipline. In order to carry out the program, the new government presented it to international lending agencies in search of support and financing. As a result, apart from the present loan proposal, a loan from the World Bank for provincial reform (privatization of the provincial bank and the provincial energy company) is pending approval. The province will obtain at least US\$600 million net from that loan, which it will mainly use to reduce its debt, while the loan from the IDB will be used to modernize public management and build up the capacity to collect taxes and administer revenues.
- 1.70 As a necessary complement to the financial support, early in its term the new government presented a structural reform program to congress with a view to introducing a substantial change in provincial management. The reform program was passed by congress in March 2000 (Law 8835, Law 8836 and Law 8837) and represents one of the governments most important initiatives since it establishes the **general framework necessary to adopt a new public management model for the province.**
- 1.71 The reform laws are summarized below:
- **Citizen charter (Law 8835).** Establishes the rights of individuals in relation to the State, the duties of the provincial government, the rights of users of public services, the public services regulatory agency, consumer rights, the office to combat corruption and the economic crimes and corruption courts.
 - **Modernization of the State (Law 8836).** Focuses on the following areas: control by the legislative branch, monitoring by the opposition, budget integrity, transparency in government, reengineering of government, public services, government contracting, dispute settlement and complementary rules and procedures.

- **Privatization and concessions (Law 8837).** Regulates privatizations, the liquidation of provincial public companies, and the concession of provincial services and other works. Also contains provisions on capitalization and regulation of the energy sector, the provincial energy company, the provincial bank and the provincial lottery.
 - **Law on the Organization of Provincial Ministries.** Regulates the institutional organization and operation of the provincial government. It creates the Ministry of Justice, implements a policy on the independence of the judicial branch, strengthens the Solidarity Ministry to enable it to assist the most vulnerable groups and reduce poverty, and creates the Cordoba Environment Agency.
 - **Municipal Reform Pact.** Will guide the adoption of uniform policies that harmonize and strengthen the municipal system.
- 1.72 As a complement to the reform laws and external financing, the provincial government issued a balanced-budget decree which limits growth in current spending and the public debt and the use of income from the sale of assets. This decree is consistent with and supports the Federal Commitment to achieve fiscal balance in 2003.
- 1.73 Seven basic principles are identified relating to the duties of the provincial government, which will govern its functions and services: quality, information and transparency, participation, courteous service and a spirit of cooperation, services available, correction of failings, and efficiency.
- 1.74 In accordance with those principles, the law determines that all branches of the provincial government should define and publicly announce to the community measurable standards for quality and efficiency in the functions, benefits and services for which they are responsible. The law also establishes that those standards will be periodically reviewed by government agencies and nongovernmental organizations selected on account of their expertise in a given field and that the results of the evaluations will be made widely available to the community.
- 1.75 Along the same line, the provincial government's policy is to continue deepening the mechanisms for citizen participation. Examples include permanent publication on the Internet of the government's budget performance, the project to open client service offices in public hospitals and other government agencies, the plan for quality in public administration, the education quality pact signed with teachers' associations and unions, consultations with business and labor sectors to implement employment programs, participation by NGOs in executing programs for vulnerable groups, and creation of the Ministry of Justice, one of whose purposes is to facilitate mechanisms for mediation and access to justice for the poorest groups.

Apart from being routine, government consultation with different sectors of society have become a necessity, since participative mechanisms facilitate the execution of government programs and proposals.

- 1.76 The State Modernization Law created a Unit to Reinvent the Provincial Government to permit continuous exchange of information on criteria, methods and the application and evaluation of standards by government agencies. Apart from that function, it is responsible for coordinating with the different ministries to prepare a plan to reinvent the public sector.
- 1.77 The plan will include: reorganization or elimination of government agencies and activities, reconversion, reassignment and training of public employees, and private capital investment and management of public benefits and services. A bicameral committee is also created to keep the senate and the house informed about implementation of the plan.
- 1.78 With regard to personnel policies and regulations, an inventory will be taken of human resources, a single credential will be introduced to identify public employees, personnel will be reassigned, benefits will be granted for programs to help public employees who decide to leave the government find jobs in the private sector, employees will be encouraged to leave at normal retirement age without affecting the continuity or quality of service, early retirement programs will be introduced for permanent public servants, personnel will be encouraged to leave for the private sector by offering compensation and voluntary departure packages, prohibitions will be placed on rehiring former civil servants, cooperatives will be established to deliver services and, last, the law authorizes the creation of a public sector job retraining fund intended to train and provide technical assistance for self-employment programs and companies formed by public servants whose positions were eliminated as a result of the reforms.
- 1.79 One key objective of the reforms described above is the use of permanent staff to promote the coming organizational changes. This important resource will need to be retrained, tapping the know-how employees have gained through personal and professional experience and turning them into committed and involved agents for change. The Civil Service Act is the legal framework that will assure training and a change in the organizational culture of the provincial public administration.
- 1.80 These laws and the actions in progress provide the provincial government with the legal and instrumental basis it needs to begin to transform government under a new public management model. Supported by these laws, the government seeks to achieve a balanced budget by 2003, coupled with high levels of efficiency and transparency in all the actions of the public administration, promoting citizen participation and private initiative and an appreciation of public servants.

H. Bank strategy and participation

1. Bank country strategy

- 1.81 The Bank's strategy in Argentina focuses on three main areas: (i) deepening and consolidation of modernization of the State and its extension to provinces and municipalities; (ii) increased productivity and competitiveness of domestic production; and (iii) poverty reduction and improvement in the quality of life through job creation and better coverage, quality and access to basic services. The proposed program is consistent with the Bank's strategy to provide direct loans in support of reform of the State and the institutional and operational modernization of government agencies.
- 1.82 A sustained effort can be observed in the Bank's past and present operations in Argentina to increase its activities on the subnational level. Bank strategy for the coming years will include the objectives of continuing to support reform of the State and fiscal balance in order to consolidate actions under way and entrench the mechanisms for decentralization, transparency in the public administration and institutional strengthening. Its lines of action include on-going support for the federal government in its efforts to reform the public apparatus and boost its efficiency, particularly with actions to promote the reorganization of provincial finances and increase management capacity, fiscal discipline, transparency and spending efficiency. The provinces will be supported through direct loans or national loans to benefit groups of provinces. Direct loans are intended to promote a global framework for reforms that will permit prompt implementation of the measures necessary to improve public management. Care will be taken to ensure that operations of this kind are consistent with national policy guidelines.

2. Experiences and lessons learned

- 1.83 The Bank has been supporting the institutional and financial strengthening of Argentina's provincial governments under several operations, some of which promote government reform, such as the operations approved for the provinces of Buenos Aires and Mendoza and the city of Buenos Aires. The province of Cordoba is eligible for direct loans of this kind since the analysis of a set of indicators (economic, debt, budget flexibility and fiscal discipline), indicates that it has achieved satisfactory levels. In addition, the reforms proposed by the province are consistent with the guidelines agreed upon with the Ministry of Economic Affairs and the federal cabinet to acceding to direct loans with national government guarantees.
- 1.84 Bank experience in loans with lower levels of government in Argentina indicates that it is important to take institutional factors into account right from the design stage. In some earlier cases, the legislative authorization needed by the provincial executive branch to sign the loan contract took much longer to obtain than

originally expected and required special legislative majorities. This held up the start of the operation and delayed some of the reforms that had originally been planned. The need to obtain authorization from provincial legislatures also left the executive branch with less room to maneuver than originally anticipated. In the case of the province of Cordoba, this aspect was considered from the outset and no delays in the entry into force of the loan contract are anticipated.

- 1.85 The Bank's experience with different public-sector modernization and institution-building programs also teaches that even though there is great interest and determination to make changes in institutions, the executing agencies are frequently unable to achieve satisfactory results in programs or lay the groundwork for ensuring that the process of change will be sustainable. In the last instance, the process of State reform or modernization is a process of cultural change in public institutions. It consists of moving from a bureaucratic government – passive, hierarchical and based on controls – to a government that operates on a flexible and dynamic management model, capable of adapting continually to the changes inherent in modern societies.
- 1.86 Based on the experiences and problems described above, the finishing touches are being put on a institutional development methodology (IDM) that was used as the basis for the preparation, supervision and evaluation of different institution-building projects that the Bank has been financing (see Section C on program design and execution in Chapter II). Apart from offering the executing agency tools for project preparation, supervision and evaluation, the methodology is based on a new public management model that rests on three basic principles: (i) result-oriented with the capacity to adapt to external changes and new demands by society; (ii) operated by trained and committed managers and public servants through a process of participation and shared responsibility; and (iii) based on effective control by society grounded in transparent practices, i.e. dissemination, participation and accountability of all public management activities.
- 1.87 Support has been provided for many executing agencies in the use of this methodology in different types of projects. It has proven to be an important tool for:
 - Implementing a new model for management by results and supporting public agencies in project preparation, supervision and evaluation.
 - Facilitating dialogue between the Bank team and the government during development of an institution-building project.
 - Reducing the time required to prepare a project.
 - Standardizing the develop of programs containing multiple projects (such as the present program).

- Automatically generating all the financial data and information necessary to prepare project reports.
- Involving line areas in project development and creating a feeling of project ownership in the institution.
- Planting the first seeds for a reform process in government, even before the program begins.

3. Other programs with Cordoba

- 1.88 The proposed program and the loan being prepared by the World Bank will be the first direct loans to the province of Cordoba. The province has already participated in different loans from international institutions which the project team has examined to avoid any duplication of financing for the same activities.
- 1.89 In 1991, Cordoba took part in the Provincial Development Project, stage I, administered by the federal Ministry of the Interior and cofinanced by the IDB and the World Bank (loan 619/OC-AR and IBRD 3280-AR). The program, which was accompanied by the signature of fiscal pacts between the federal and provincial governments, had the main objective of implementing reforms in the provinces compatible with those carried out on the federal level. It proposed the following strategic reforms for the provinces: (i) introduction of geographic information systems and updating property rolls; (ii) reform of financial administration systems; (iii) comprehensive reforms of tax collection systems; and (iv) reforms of property registers.
- 1.90 The province of Cordoba only participated in the first of the four reforms, through the project to update the provincial land register (SITCOR Stage I), financed by the World Bank. As a result, today it has complete basic mapping that has permitted it to identify land not included in the registers, conduct a census and design a geographic information system that integrates graphic and alphanumeric information. These results are the point of departure and link with the Ministry of Finance's project that forms part of the prospective loan.
- 1.91 The Provincial Development Project, stage II (financed by the World Bank) was applied by Cordoba in infrastructure projects.
- 1.92 The Bank's experience – linked to institution-building projects – based on Cordoba's participation in stage I of the Provincial Development Project been very slight, since 95.5% of the subloan was used for infrastructure projects. The remaining 4.5% was channeled into projects such as the procurement of highway equipment, a study of the allowance system and financing for a large-taxpayer project (executed by the Arbitration Committee of the Inter-Provincial Gross Income Tax Agreement) and technical assistance to reformulate a project to reform the tax administration that was not executed.

II. THE PROGRAM

A. General objective and basis

- 2.1 The general objective of the program is to improve the province of Cordoba's financial and administrative management capacity in order to consolidate the foundations for a sustainable fiscal balance in the medium and long terms and respond satisfactorily to the demands of society.
- 2.2 The basis for the modernization process, as established in the reform laws that have been passed, is to introduce an integrated and dynamic public management model that rests on three basic principles:
 - a. Result-oriented with the capacity to adapt to external changes and new demands by society;
 - b. Operated by trained and committed managers and public servants, through a process of participation and shared responsibility; and
 - c. Based on effective control by society grounded in transparent practices, i.e. dissemination, participation and accountability of all public management activities.
- 2.3 The program is consistent with the Federal Commitment between the federal government and the government of Cordoba pertaining to reduction of the fiscal deficit, curbs on public spending, self-limitation on borrowing and fiscal transparency. The Bank will use the following indicators to facilitate monitoring of provincial compliance with the fiscal and debt goals agreed to by the federal government, the IDB and the World Bank and the provincial government: (a) current savings; (b) financial results excluding net income from privatizations and concessions; and (c) provincial debt/current income (see paragraph 3.23).

AGREED FISCAL AND DEBT TARGETS

INDICATOR	As of 31/12/00	As of 30/06/01	As of 31/12/01	As of 30/06/02	As of 31/12/02
1. Current savings/current income	6%	7%	8%	9%	9%
2. Financial results excluding privatizations (US\$ million)	-124	-110	-96	-78	-59
3. Provincial debt/current income	70%	70%	70%	70%	70%
INDICATOR	As of 30/06/03	As of 31/12/03	As of 30/06/04	As of 31/12/04	
1. Current savings/current income	9%	9%	9%	9%	
2. Financial results excluding privatizations (US\$ million)	0	0	0	0	
3. Provincial debt/current income	70%	70%	70%	70%	
<p>(*) All indicators shown in the table reflect the most recent 12-month period.</p> <p>1. Current savings: is the percentage by which current income exceeds current spending, that is: (i) current income: provincial tax revenue, provincial nontax revenue, domestically-sourced income, including revenue from co-sharing and other transfers sourced within the country; (ii) current expenses: payroll, goods and services, property income, and all transfers, except compensation paid to staff that retire from the public sector.</p> <p>2. Financial results, excluding net income from privatizations and concessions (in pesos): is the difference between total income and total expenses, where total income consists of (i) current income, (ii) income from equity: excluding income from privatizations and concessions; and total expenses consists of (i) current expenses, (ii) capital expenses, excluding privatization- and concession-related expenses.</p> <p>3. Provincial debt: is the consolidated provincial debt, including amounts owed to employees and suppliers and excluding debt assumed by the province to finance compensation paid to workers who retire from the public sector.</p>					

B. Program objectives, indicators and results

- 2.4 The main objectives, indicators and strategic results expected from the program are summarized in the following table and have been selected for each of the components.

SUMMARY TABLE OF OBJECTIVES, INDICATORS AND STRATEGIC RESULTS

Objectives	Indicators	Results
1. Fiscal administration		
1. Balance the budget.	Budget deficit of zero in 2003.	Self-sustainable fiscal balance.
2. Increase investment capacity with own resources through new procedures for collecting the gross income tax.	5% increase from better management in 2001, 4% in 2002 and 1% from 2003 to 2007.	Greater investment capacity with own resources.
3. Idem for the property tax.	5% increase from the incorporation of more m ² in 2001 and 5% in 2002.	Greater investment capacity with own resources.
4. Idem for the stamp tax and other taxes.	5% increase from better management in 2001, 4% in 2002 and 1% from 2003 to 2007.	Greater investment capacity with own resources.
5. Improve revenues from the property tax through better management of collections.	4% increase from better collections management in 2002, 3% in 2003 and 1% in 2004 and 2005.	Better recovery of taxes in arrears.
6. Raise the quality of public spending through result-based budgets.	100% of the budget prepared in a participative manner and linked to the goals and indicators defined in the government's strategic plan.	Provincial budget is result-oriented and linked to planning.
7. Achieve greater efficiency in public spending by introducing an integrated financial management system.	100% of government payments made through the system.	Provincial programming and financial execution controlled.
2. General government administration		
1. Introduce greater transparency in government administration through widespread disclosure of management results.	100% of public agencies publish their results on the Internet and in other media.	Results of public management made available to the public in accessible language.
2. Achieve greater efficiency in public spending through better government procurement procedures and controls.	7% savings in 2002 and 3% in 2003.	Greater competitiveness in the procurement process and continuous control over government procurements and contracts.
3. Improve participation by society in strategic decision-making.	100% of public agencies have direct channels of communication with society (Internet, 1-800 numbers, public meetings).	Society participates continuously in strategic provincial decision-making.
4. Institutionalize the government's strategic planning.	100% of government actions included in a strategic plan.	Strategic guidelines of the different government agencies and public management based on planned actions.

5. Increase the commitment of public servants to management objectives.	100% of public servants aware of the government's strategic objectives and goals.	Public servants more aware of their contribution to achieving management results.
6. Improve citizen satisfaction with public services.	10% reduction in complaints received annually.	Citizen demands for information, processes and other interests are met.
7. Support the establishment of inter-municipal agencies.	17 inter-municipal agencies with a defined structure and functions.	Coordinated action by municipalities and communes.
3. Public management supervision		
1. Contribute to transparency, effectiveness, efficiency and economy in financial management.	100% compliance with auditing and control processes.	A vigorous external auditing agency operating under new participative methods.
2. Increase transparency in provincial legislative activity and streamline legislative procedures.	100% of the new systems, applied technologies and rehabilitated physical plant in operation. 100% of staff trained.	Full citizen access to the work of the legislature and all stages of the law-making process. Internal knowledge of institutional management for decision making.
4 Social and citizen promotion		
1. Manage human resources in the education sector more efficiently.	50% reduction in the number of teachers working in two or more schools and an 80% reduction in teacher absenteeism. 100% of teachers in a master register.	Teachers work consolidated hours; savings in salaries from fewer supply teachers; computerized register of teaching staff in operation.
2. Provide schools with management tools, funds and training to improve the quality of education.	100% of poor urban schools receive educational materials, technical assistance and funds.	Reduction in repeater and drop-out rates in the poorest schools.
3. Expand physical facilities and improve school coverage.	90% of children age 4 to 14 and 75% of teens between 15 and 18 attend school. 100% of children enrolled in poor urban schools attend for a full school day.	Provincial education system serves the majority of school-aged children and teens.
4. Permit teens and young people to attend secondary and post-secondary schools and universities under a scholarship program. Provide job training for youths between the ages of 14 and 22.	Job training for 1,000 teens and young people; 3,000 scholarships for secondary school, 120 for post-secondary, and 1,400 for university.	At least 80% of the young people that received training find jobs and 75% of scholarship recipients have completed their studies.

5. Expand community child care centers for children up to three, including meals, developmental monitoring and early stimulation.	500 centers throughout the province serving 50,000 children a year.	50,000 children ready to enter primary school and not drop out.
6. Train home caregivers for the elderly.	240 unemployed people between the ages of 35 and 55 trained to assist people over 60 in their homes.	At least 10 people assisted each year by each caregiver.
7. Strengthen the capacity of the Ministry of Justice as the lead agency in the sector and take steps to lower the barriers to access to justice and strengthen legal certainty.	Provincial judicial reform plan agreed to and under way. 50 mediation centers deal with over 500 cases by year three (70% of direct beneficiaries are women). The anti-corruption officer is fully operative.	Comparative improvement in citizen perception of justice; denunciation and prosecution of corruption. Improvement in the system for registering companies and commercial activities.
5. Environment and economic development		
1. Optimize environmental management by strengthening the environment agency's internal structure and improving inter-agency coordination in the province's jurisdiction.	100% of line units consolidated, retrained and equipped with essential tools.	Optimum compliance by the environment agency with its mission and responsibilities.
2. Optimize management of provincial production and infrastructure by strengthening the ministries.	100% of the system for tactical and operational planning implemented.	Ministries of Production and Public Works operating on the basis of planned actions.

C. Program design and execution

- 2.5 The general program and specific projects have been prepared using the **institutional development methodology (IDM)**, which is one of the tools used by RE1/SC1 to support borrowers in the different stages of project development.
- 2.6 The IDM includes three specific methodologies: the project preparation methodology (PPM), the project supervision methodology (PSM) and the project result evaluation methodology (REM), a users manual, an IDM information system (IDMIS), and a series of technical recommendations for institutional development and specific areas of public management.
- 2.7 To ensure the consistency and consolidation of different specific projects in a single program, the different participating agencies and the provincial government's Project Coordination and Executing Unit (UC) have used the PPM in project preparation and will use the PSM and REM to support program supervision and evaluation.

- 2.8 The UC was established to integrate and coordinate the actions of these different projects. It has also been assigned US\$10 million of the loan proceeds to implement a program supervision and evaluation system for the provincial government, based on performance indicators, which will ensure better integration between execution procedures and the Bank's follow-up and evaluation requirements. It will also promote on-going dialogue with different segments of society and the agencies involved in the program.
- 2.9 The UC's activities will include: (1) strategic definition and consolidation of the program outcome indicators; (2) planning and holding seminars and workshops for program dissemination, integration and evaluation; (3) coordination of proposals for integrated development of activities, particularly with other programs and projects to modernize public management; (4) promotion of dialogue with society and exchanges of ideas on the local national and international levels; and (5) introduction of the system for monitoring physical and financial execution and the achievement of program objectives and goals.
- 2.10 The unit will also define and be the base for implementing stage one of the system for monitoring, supervision and evaluation of the results of provincial government management.

D. Program description

- 2.11 The program consists of five components to be coordinated by a provincial government unit specializing in project coordination and execution. Four of the components cover broad areas of government and society (fiscal management, general government administration, social and economic sectors) and the fifth will provide financing for certain activities in the legislative branch and to strengthen the Provincial Auditor's Office. The components have generally been divided into subcomponents, each corresponding to a specific projects in function of the areas and ministry or agency that has responsibility for the sector (except for the legislative branch which has one project for congress and one for the senate).

COMPONENT	SUBCOMPONENT	MINISTRY OF AGENCY IN CHARGE
Fiscal administration	Tax administration	Ministry of Finance – Public Income Department
	Financial administration	Ministry of Finance – Financial Administration Department
General government administration	Organization and public management	Governor's Office
	Coordination with municipalities	Ministry of Provincial Affairs
Control of public management	Legislative branch	Senate and Congress
	External auditing	Audit Office
Social and citizen promotion	Education management and coverage	Ministry of Education
	Health services management	Ministry of Health
	Assistance for vulnerable groups	Solidarity Ministry
	Access to justice and legal certainty	Ministry of Justice
Environmental and economic development	Environment	Cordoba Environment Agency
	Production development	Ministry of Production
	Management of public infrastructure	Ministry of Public Works

1. Fiscal administration (US\$37.2 million)

- 2.12 This component is intended to develop and modernize the province's tax and financial administration, using geo-referenced property data, in order to increase own revenues and improve the quality of public spending and internal control over government activities. It consists of two subcomponents: tax administration and financial administration.

a. Tax administration (US\$26.2 million)

- 2.13 This subcomponent will increase tax revenues to finance the provincial budget, with equitable distribution of the tax burden.

- (i) *Inventory and geo-referencing*: Updated graphic and thematic mapping, installation of an administrative unit to manage the GIS, surveying and evaluation of zones and description of the database. The system will be the foundation for a large number of different public management activities, ranging from planning for health care, education and transportation to fiscal management control, in particular.
- (ii) *Applications and maintenance*: Development of applications that will permit alphanumerical and spatial data to be shared by areas and municipalities and implementation of a strategic plan for sustainability over a five-year horizon.
- (iii) *Land register*. Installation of new territorial functions, updating of the alphanumeric and graphic property base and property appraisals.
- (iv) *Tax management*. Installation of tax intelligence and a taxpayer service area, system for monitoring outsourced functions; auditing of the collection network, establishment of a taxpayer awareness plan.
- (v) *Economic and tax studies*. Development of studies, projections and tax simulations.
- (vi) *Declarations and collections*. Redesign of the tax declaration process, conciliation of taxes paid/declared; expansion of the comprehensive tax system (OTAX), control of collections distribution.
- (vii) *Inspection*. Automatic selection of taxpayers, mobile posts for tax control, auditing of information systems, monitoring of large taxpayers, control and implementation of tax activities, technical and material implementation of fiscal actions.
- (viii) *Tax arrears*. Organization and simplification of rules, follow-up on judicial action, security of files and updating of judicial information.

b. Financial administration (US\$11 million)

2.14 This subcomponent is intended to improve the quality of public spending by introducing a new budget management model and an integrated system for spending and control, that will generate information for internal auditing.

- (i) *Budget programming and performance.* Budget reformulation, publication on the Internet, control of management and evaluation of results, with accountability to society and stress on investment priorities, systems to control goods and services.
- (ii) *Financial programming and performance.* Programming and unification of financial administration, automatic bank conciliation.
- (iii) *Public debt.* Management of the consolidated debt and the debt for interest arrears, public credit system and collections management.
- (iv) *Accounting.* Development of a system of accounting records that includes budget performance, costs and financing, reporting of changes in net worth, movements of funds and securities, and development of a procurement system that registers all provincial contracts, with a view to maximizing savings by tracking inventories of goods by item.
- (v) *Internal auditing and control.* Examination and evaluation of the management and use of financial resources, administrative audits based on indicators.

2. General government administration (US\$66.8 million)

2.15 This component consists of two subcomponents, one for institutional development and the other targeted to the municipalities.

a. Public organization and management (US\$63 million)

2.16 This subcomponent involves institutional development, examining the role of each government agency, promoting planning for all government areas, and defining and introducing instruments for citizen services and participation and other reforms needed to make government agencies more efficient and able to respond expeditiously and efficiently to society's demands.

- (i) *Planning and social participation.* Strategic participative plan, institutionalization of result-oriented management and an automated system for decision making and management control.
- (ii) *Human resources.* Strategic planning, a new inventory of public employees, manual of functions and responsibilities of civil servants,

training programs for senior managers, professionals and operating staff, analysis and modernization of the employee benefit system, actuarial valuation and manuals of procedures, service programs for members.

- (iii) *Citizen service.* Introduction of a single window (call center) for public service and a center for emergency medical and disaster assistance (911 number).
- (iv) *General services.* Automated system for managing purchasing and the permanent government property register.
- (v) *Management of information technology and equipment.* Autonomy in the management of information resources and the provincial information system, which will be connected to the different government branches and agencies. Some 20,000 work posts will be connected to the network.

b. Coordination with municipalities (US\$3.8 million)

- 2.17 This subcomponent will support the establishment of 17 regional agencies to coordinate municipal and communal public services. It includes *institutional integration and coordination*, involving the design, establishment and start-up of an advisory committee to develop and consolidate the inter-municipal agencies, studies on the operating structure of the agencies and an analysis of the economic and financial situation and of the administrative systems and procedures of the municipalities and communes.

3. Public management supervision (US\$4.5 million)

- 2.18 The purpose of this component is to develop and modernize the legislative branch and strengthen the provincial agency responsible for external audits which will help to improve transparency in public management and the quality of public spending. The component will finance the development of products and activities for both chambers of the legislature and the Provincial Auditor's Office, through the following subcomponents.

a. Legislative branch (US\$2.2 million)

- 2.19 The objective of this subcomponent is to carry out actions that will improve the transparency of the activities of the provincial senate and house and streamline the legislative process.
- (i) *The senate:* (i) study, review and design of administrative procedures for swifter and more transparent legislative management;
 - (ii) development and introduction of leading-edge technology to

improve legislative work, including the provision of equipment; (iii) rehabilitation of the physical plant; (iv) development of a permanent staff training plan, including concrete training activities during the program; and (v) design and installation of information systems to improve administrative and law-making processes and provide citizens with tools for learning about the legislative work of both houses.

- (ii) *The house:* (i) design and introduction of a new system for organization and internal control, including a permanent staff training plan; (ii) development of technology systems and computer equipment; (iii) design and introduction of a human-resource management system supported by modern technology; (iv) introduction of a citizen information and service system; (v) design and introduction of systems for storing files and tracking procedures; and (vi) design and implementation of budget performance, management and control systems.

b. External auditing (US\$2.3 million)

- 2.20 The program will strengthen the structures and capacity of the Provincial Auditor's Office by financing consulting services, equipment and training. The program will enable the office to make the following improvements, among others: (i) prepare and execute an annual plan of action and a permanent training program; (ii) perform advance and selective audits of administrative actions that involve spending, examine accounts and responsibilities, audits of management, financial statements and tax control and collection, specific and off-budget funds, information systems and the public debt; (iii) strengthen the institutional framework and relations with similar institutions, through cooperation agreements.

4. Social and civic promotion (US\$253.3 million)

- 2.21 This component will include financing to develop and strengthen the institutions that deliver social services and the infrastructure works needed to improve user service and efficiency in public management. These are high priority investments for the public and for the success of the reforms made under earlier components. The education, health care, social welfare and justice sectors will be included, each of which will develop and implement a specific projects.

a. Education management and coverage (US\$205.8 million)

- 2.22 The objective is to improve the quality, equity and efficiency of the provincial education system by providing inputs, technical assistance and building infrastructure in primary and secondary schools and by improving and optimizing management by the Ministry of Education and the schools.

2.23 The objective will be achieved through financing for the activities described below.

- (i) *Reform and strengthening of education system management.* Financing will be provided for activities and investments to optimize the provincial Ministry of Education's management mechanisms and tools, particularly to achieve more effective use of human resources and build up technical and administrative capacity in the ministry and schools by: (1) improving human resource management by including all teachers in a master register, reducing absenteeism and salary costs, consolidating teaching hours and bringing operational staff into line with current regulations; (2) upgrading and updating the education information system for policy decision-making and improving the quality of education in schools; (3) creating a socioeconomic information system on the school population; (4) publicizing education programs and results internally and externally; and (5) developing human resources (principals, supervisors and ministry staff).
- (ii) *Promotion of school autonomy.* Financing will be provided for educational materials, equipment, technical assistance and training to provide 1,000 poor schools with resources and technical capacity to introduce a more efficient education management model by: (1) introducing management techniques that give schools autonomy to administer processes to improve quality and efficiency, including permanent monitoring of school management; (2) providing funds for schools to procure textbooks, educational materials and equipment; (3) establishing a fund to finance projects to keep children in school, accompanied by technical assistance and manuals; and (4) providing funds for teacher training.
- (iii) *Expansion and improvement of school coverage.* Infrastructure will be built, expanded and upgraded and schools will be provided with equipment and funds for maintenance to: (1) enroll school-age children and youths who are not in school (5,000 four-year-olds in kindergarten, 5,500 children between the ages of 6 and 11 in primary school and 18,000 teenagers between 12 and 18 in high school); (2) keep children in school for both the morning and afternoon shifts in urban primary schools that serve the poor; and (3) repair and replace 110 schools in bad condition.

b. Health care management (US\$160,000)

2.24 This subcomponent is intended to support the ministry in monitoring the results of its actions by contracting consulting services to identify indicators for the quality of care, user satisfaction and use rates for public hospital services and IPAM.

c. Assistance for vulnerable groups (US\$42.5 million)

2.25 This subcomponent will be executed by the Solidarity Ministry and will be composed of projects to strengthen the ministry in carrying out its functions and other activities involving direct assistance for vulnerable groups. The former include:

- (i) *Planning and administrative coordination.* Activities will be funded to improve the allocation of resources by establishing management by results, based on strategic planning and process reengineering. The main products will be: preparation of comprehensive management tables; information on the administrative management of compensatory policies; strengthening of administrative management; system of management indicators; preparation of model flowcharts for each directorate; manual of missions and functions; and additional software for social services.
- (ii) *Siemprocor.* Will finance activities to boost efficiency by providing a better understanding of the design, supervise and evaluation of social programs and their implementation, as a contribution to the transparency and visibility of social spending. The following products will be obtained: register of families in vulnerable situations; master register of beneficiaries and visual systems for consultations; municipal socioeconomic reports; design and management of social programs; indicators for social programs; system for the supervision and evaluation of social programs; evaluation of the Youth Development Solidarity Program (SOL); evaluation of the permanent program for child and family support; study of the intelligence and development of children from 2 to 5; analysis of ownership and technical feasibility of irregular settlements; analysis of cultural eating habits and patterns; study of the ministry's social spending; and loading and analyzing data in the system.
- (iii) *Ministerial management.* Activities will be financed to improve the ministry's internal communications system, including: support for managers and their teams in formulating, executing and evaluating their tasks, and structuring for the planning and technical evaluation of project activities.

2.26 Direct interventions will include:

- (i) *Families and vulnerable groups.* Will promote active and committed participation by families in the community as the nucleus for social development. This component will include: training for home caregivers for the elderly; service to orient the disabled and allow them

to remain in their sociofamily setting; development of community childcare centers for children up to 3; family reunification for children and teenagers; special coverage for street children and adolescents; and development of the SOL program.

- (ii) *Citizen services.* Activities will be financed to strengthen linkages and improve management capacity and information systems on the menu of projects and programs offered in the social area. The following products are envisaged: transfers of management techniques; strategies to publicize the ministry's activities; system for coordination of social management; and promotion of better use of public resources.

d. Access to justice and legal certainty (US\$4.7 million)

2.27 The objective of this subcomponent is to support the provincial Ministry of Justice in strengthening its capacity as lead agency in the sector and in taking steps to lower the barriers to access to justice and improving legal certainty. Two projects have been included:

- (i) *Access to justice.* Financing will be provided to develop mechanisms, means and instruments to provide better access to justice, such as the establishment of strategic planning offices and alternative dispute settlement mechanisms.
- (ii) *Legal certainty.* Financing will be provided to develop mechanisms, means and instruments to strengthen legal certainty such as: (1) improvement in the system for company registration; (2) creation of a code of economic crimes; and (3) establishment of an office to combat corruption.

5. Environmental and economic development (US\$10.8 million)

2.28 This component will include financing to strengthen institutions in the sectors responsible for the environment and for promoting production in the province, in addition to activities to modernize the ministry responsible for provincial infrastructure, particularly water and sanitation services. These investments are high priorities for environmental protection and education and for supporting private initiative in the reforms proposed under the previous components.

a. Environment (US\$2.1 million)

2.29 The main purpose of this subcomponent is to support the development and consolidation of environmental management in the province through institution building, the development of management tools and priority programs defined in the Cordoba Environment's Agency's (ACA) mandate.

2.30 Financing will be provided for products and activities in the following fields:

- (i) *Environmental management.* Institutional development of the ACA, by strengthening its internal structure and training its staff; developing systems to support environmental quality management; and carrying out pilot projects for the sustainable use of forest resources.
- (ii) *Environmental planning.* Support for environmental management in municipalities and communes under the Clean Cordoba Program for municipal solid waste management; development and introduction of an environmental management and sanitation plan for the Lago San Roque watershed; and strengthening of the province's natural areas system.

b. Production development (US\$4.5 million)

2.31 This subcomponent will support the Ministry of Production in institutional management and planning activities, providing financing in the following fields:

- (i) *Strengthening of the ministry.* Certification in quality management, design of process for examining and settling complaints, institutionalization of labor advisory services and updating files on electronic supports.
- (ii) *Support for economic development.* Analysis of investment opportunities and support for services, commerce and industry.
- (iii) *Protection of consumer rights.* Regulations and creation of consumer service offices.

c. Public infrastructure management (US\$4.2 million)

2.32 This subcomponent will support the Ministry of Public Works through financing for institutional planning, including the following:

- (i) *Institutional management.* Computerization and definition of a planning support system; standardization of the water act and its enabling regulations.
- (ii) *Water resources.* Information systems on hydrology/hydro-geology and on users and pollutants; training and technical assistance for studies and projects for water works and rural sanitation; training and assistance in project management and monitoring; definition of a system to control pollution of water sources.

E. Program scale

- 2.33 The overall scale of the program and the scale of the specific projects were based on a set of criteria established through the institutional development methodology (IDM).
- 2.34 The starting point for scaling some of the components was coordination of this program with other financings available for the province. Since this is a global program for reform of the State, it is normal for many activities to involve a number of public-sector agencies and therefore several of the projects have been allocated funds to implement actions in all or most government institutions. They include the computer network (concentrated in the Office of the Governor), corporate information systems (projects of the Ministry of Finance and the Office of the Governor) and the geographic information system (Ministry of Finance project).
- 2.35 The IDM has been used to standardize the cost table for the different investment categories included in the program: (i) national and international consulting services; (ii) training; (iii) computer and communications equipment (hardware and software); (iv) equipment and supplies for training; and (v) infrastructure. The different possibilities for evaluating costs by components, projects and programs, and the investment schedule available through the IDM information system (IDMIS) have allowed for greater precision in scaling the program.
- 2.36 Based on the projects developed with support from the IDM, which were consolidated in the IDMIS database, the total cost of the program has been estimated as US\$430 million. The Bank will finance US\$215 million equivalent from the Ordinary Capital, while the provincial government will contribute an equal amount. The program will last for four years.

Cost table- US\$000s

Category	IDB	LOCAL	TOTAL
1. PROGRAM COORDINATION (UC)	10,001	0	10,001
2. INVESTMENTS	202,849	192,425	395,274
2.1. BASIC INVESTMENTS	192,713	179,764	372,477
2.1.1. Component I – Fiscal administration	22,315	14,877	37,192
a. Tax administration	15,696	10,464	26,160
b. Financial administration	6,619	4,413	11,032
2.1.2. Component II – General government administration	46,646	20,118	66,764
a. Public organization and management	42,862	20,118	62,980
b. Linkage with the municipalities	3,784	0	3,784
2.1.3. Component III – Control of public management	4,454	0	4,454
a. Legislative branch	2,209	0	2,209
b. External auditing	2,245	0	2,245
2.1.4. Component IV – Social and citizen promotion	108,504	144,769	253,273
a. Management and coverage of the education system	82,338	123,508	205,846
b. Health care services management	160	0	160
c. Assistance for vulnerable groups	21,261	21,261	42,522
d. Access to justice and legal certainty	4,745	0	4,745
2.1.5. Component V – Environmental and economic development	10,794	0	10,794
a. Environment	2,133	0	2,133
b. Production development	4,501	0	4,501
c. Public infrastructure management	4,160	0	4,160
2.2. CONTINGENCIES	10,136	12,661	22,797
3. FINANCIAL COSTS	2,150	22,575	24,725
3.1. INSPECTION AND SUPERVISION	2,150	0	2,150
3.2. CREDIT FEE	0	1,075	1,075
3.3. INTEREST	0	21,500	21,500
TOTAL	215,000	215,000	430,000

Budget by basic investment category (US\$000s)

Component	Subcomponents	Training	Consulting	Computer equipment	Support equipment	Infrastruct.	Total
1. FISCAL ADMIN.	a. Tax admin.	4,192	17,588	2,571	1,299	510	26,160
	b. Financial admin.	3,320	5,860	737	487	627	11,031
2. GENERAL GOVT. ADMIN.	a. Public org. & mgt.	22,266	11,027	27,499	1,200	987	62,979
	b. Municipal linkage	30	3,692	8	9	45	3,784
3. CONTROL OF PUBLIC MANAGEMENT	a. External auditing	129	736	665	415	300	2,245
	b. Legislative branch	74	543	660	500	432	2,209
4. SOCIAL AND CITIZEN PROMOTION	a. Educ. mgt. & coverage	5,934	6,539	4,030	27,343	162,000	205,846
	b. Asst. vulnerable groups	31,670	6,874	358	3,621	0	42,523
	c. Health services mgt.	0	160	0	0	0	160
	d. Access to Justice & legal certainty	1,701	430	646	1,390	578	4,745
5. ENVIRONMENT AND ECONOMIC DEVELOPMENT	a. Environment	76	617	313	848	279	2,133
	b. Production devpt.	1,073	815	455	1,948	210	4,501
	c. Public infrast. Mgt.	458	1,058	1,384	616	645	4,161
	GENERAL TOTAL	70,923	55,935	39,326	39,674	166,613	372,477
	%	19.0	15.0	10.6	10.7	44.7	100

F. Cost and financing

2.37 The Bank will finance the program from the Ordinary Capital. The financial terms are conditions of the loan will be:

Currency:	U.S. dollars
Interest rate:	Variable
Credit fee:	0.75%
Inspection and supervision:	1%
Amortization period:	20 years
Disbursement period:	4 years
Grace period:	4 years

III. PROGRAM EXECUTION

A. Borrower and guarantor

- 3.1 The province of Cordoba will be the borrower, and will execute the program through the Project Coordination and Executing Unit (UC) of the provincial government's Investment Programming and Financing Coordination Agency (OCPIF).
- 3.2 The guarantor of the loan will be the Argentine Nation. However it will only guarantee repayment of the loan, including interest and fees, but not the local contribution or the obligations that are incumbent on the provincial government.

B. Executing agency

- 3.3 The executing agency will be the Investment Programming and Financing Coordination Agency (OCPIF), which is responsible for provincial relations with multilateral lending agencies. Established under Decree 630 of May 4, 2000, OCPIF is linked directly to the Governor's Office and is responsible for coordinating the government's inter-agency programs, all programs financed by multilateral agencies, and activities carried out under programs to modernize the State.
- 3.4 Decree 631 of May 4, 2000, established a Project Coordination and Executing Unit (UC) in OCPIF. The two decrees guarantee that the UC will be a permanent part of the government and ensure that all other provincial public bodies will provide the information necessary for it to carry out its activities. The UC is composed of a general coordinator, an executive coordinator, an assistant executive coordinator and an operations coordinator. Under their direction, the province's programs and projects are grouped into three areas: (i) *comprehensive management*, which covers fiscal and municipal projects, infrastructure and social projects; (ii) *reform*, which includes all projects that do not involve the legislative or judicial branches, the Auditor's Office or follow-up on privatizations; (iii) *operations management*, which coordinates common aspects and support for all projects (administration, contracting, routing, training and information systems). The UC is staffed by consultants financed with funds from the programs they administer and permanent provincial government staff. As a condition precedent to the first disbursement, OCPIF will present to the Bank's satisfaction evidence that it has contracted the four coordinators for the UC.
- 3.5 The program will be executed by the UC, which will perform the following functions in a direct and centralized manner: (i) coordinate the activities of program participants; (ii) contract the consulting services needed for project execution, in accordance with the specifications and requests of the beneficiary ministries and

agencies; (iii) take charge of financial execution, including reviewing, approving and paying eligible costs out of the loan proceeds or the local counterpart; (iv) make procurements from program funds; (v) keep up-to-date consolidated accounting records for the program and separate accounting records for each project; (vi) offer and provide technical assistance for program participants; (vii) process disbursement requests in accordance with Bank procedures; (viii) prepare and present reports to the Bank on execution, progress and general project monitoring; and (ix) in general, follow-up on the budgetary and physical execution of the program.

- 3.6 To facilitate compliance with the accounting function mentioned in the preceding paragraph, the UC will: (i) maintain separate bank accounts for use of the loan proceeds and local counterpart, to permit suitable follow-up on financial execution of the program; (ii) implement a comprehensive accounting and financial information system to be used specifically for contract administration and the program's flows of funds. The participating agencies will provide the UC with the information it needs for consolidation and to prepare the reports required under the loan contract.
- 3.7 The legislative branch and the Auditor's Office will each sign subsidiary agreements with the provincial government, delegating powers to OCPIF to execute their respective projects in accordance with the terms and conditions established in the agreements. As a condition precedent to disbursements under the respective subcomponents, the UC will present the two signed agreements to the Bank's satisfaction.
- 3.8 The ministries and agencies participating in the program will be responsible for the technical quality of execution and for assuring participation and effective coordination with the UC. During the program, as the ministries and agencies acquire sufficient capacity and structure, they may take over execution of their own projects with support from the UC. At its request, the Bank will evaluate the institutional capacity of the applicant agencies to carry out procurements, service contracts and payments for their respective projects.

C. Operating Regulations

- 3.9 The specific aspects of program execution are established in the Operating Regulations and related annexes and manuals, as necessary. After the loan contract is signed, a workshop will be held to review and adjust the draft regulations and its related annexes and manuals prepared by the UC. The workshops will be attended by the UC, representatives of provincial ministries and agencies, the Bank project team and specialists in procurement and finance. The provincial government will approve and publish the Regulations and its related annexes and manuals, informing the different program participants of their contents. As a condition precedent to the first disbursement, the UC will present evidence to the Bank's

satisfaction that the Operating Regulations and its related annexes and manuals agreed upon with the Bank have been placed in effect.

- 3.10 In addition to the general conditions for program execution stipulated in this chapter, and given the nature of the projects for the Ministry of Education and the Solidarity Ministry, the Operating Regulations will establish special conditions for technical execution of those subcomponents. For the Ministry of Education, the Operating Regulations will include the following special conditions: (i) establishment of an executing subunit on the ministerial level; (ii) selection criteria for schools included in the school autonomy activities; (iii) selection criteria will be established for poor schools where children will be kept in school for a full day; (iv) model letter of commitment and participation to be signed by the schools in the program; (v) procedures for the procurement of books, educational materials and teacher training; (vi) selection criteria for projects to keep children in school and to develop innovative materials; and (vii) criteria and mechanisms for accreditation of the teacher-training institutions that will supply the training courses.
- 3.11 For the Solidarity Ministry, the Operating Regulations will include the following special conditions: (i) establishment of an executing subunit on the ministerial level; (ii) eligibility criteria for beneficiaries; (iii) eligibility criteria for service providers, including civil society organizations, public and private agencies with responsibilities for actions included in the projects; (iv) eligibility criteria for projects to assist vulnerable groups; (v) establishment of a committee to approve the final selection of project beneficiaries and executors; (vi) procedures for replacing, expanding or reducing projects already approved; and (vii) design of a monitoring and evaluation system that identifies contents, timetable and methodology.

D. Disbursements

- 3.12 A revolving fund of up to 5% of the loan proceeds will be established and renewed upon presentation of a list of expenditures and supporting documents. The UC will present semiannual reports on the status of the revolving fund within 60 days after the end of each six-month period. The disbursement period will be 48 months.
- 3.13 Program disbursement will be reviewed ex ante. Notwithstanding, loan proceeds will be used to hire a firm of auditors acceptable to the Bank to perform concurrent and operational audits (procurements and disbursements) of the program, in accordance with agreed terms of reference. The executing agency will present the auditors' reports within 60 days after the end of each six-month period. The same firm will audit the program's annual financial statements referred to in paragraph 3.25. Depending on the reports by the auditors and the Bank's evaluation of the executing agency's institutional capacity, disbursements may subsequently be reviewed ex post.

E. Disbursement programming

- 3.14 Based on the financial execution timetables for the different projects, the following disbursement programming has been established:

ANNUAL DISBURSEMENT SCHEDULE - US\$ millions						
Source	Year 1	Year 2	Year 3	Year 4	TOTAL	%
IDB	65	70	40	40	215	50
Counterpart	140 (*)	20	30	25	215	50
Total	205	90	70	65	430	100
% of total	47.67	20.93	16.28	15.12	100	100

(*) US\$ 80 million corresponds to cost recognition.

F. Procurement of goods and contracting of works and services

- 3.15 Procurements of goods and contracting of works and services will be carried out in accordance with the Bank procedures described in Annexes B and C of the loan contract. The project team proposes that: (i) works costing US\$5 million and over, goods worth US\$350,000 and over and consulting services over US\$200,000 be procured through international competitive bidding; and (ii) procurements below those amounts made with loan proceeds be carried out in accordance with provincial procurement procedures that ensure free competition, are not in conflict with Bank policies and do not prevent firms from the Bank's member countries from participating in the bidding. Procurement processes will be reviewed ex ante until it is verified that a representative number have been carried out correctly, whereupon they may be reviewed ex post for contracts under the aforesaid amounts.
- 3.16 Given the large number of consulting services required under the program and to facilitate execution and control, it is recommended that the Bank's requirements for prior consultation only be maintained for the selection and contracting of individual consultants whose contracts are over US\$50,000 and for consulting firms whose contracts are over US\$100,000. Ex post reviews will be performed of contracts below these thresholds. In the event that the agreed procedures were not followed, the expenditures will not be eligible for Bank financing.
- 3.17 One strategic objective of the project to modernize education management is to develop school autonomy (paragraph 2.22). The implementation of these innovative proposals will require special procedures approved by the Bank for the procurement of books and school materials and fixed costs for teacher training. The Operating Regulations will spell out the procurement procedures to ensure uniform application.

G. Cost recognition

- 3.18 The provincial government has asked the Bank to recognize up to a maximum of US\$30 million out of the local contribution in expenditures to modernize

information systems and adapt the technological infrastructure that the province incurred to address the Y2K problem. As well, contracts have been tendered for 100 schools, which have been or are being built in different parts of the province at a cost of approximately US\$50 million. Both types of costs were incurred after 1 October 1999, and contribute decisively to the program's objectives. They could be recognized from the local contribution, provided they have complied with requisites that are substantially similar to those established in the loan contract.

H. Supervision and reports

1. Supervision and evaluation

- 3.19 The institutional development methodology (IDM), in addition to the project preparation methodology (PPM), includes instruments such as the project supervision methodology (PSM) and the result evaluation methodology (REM), which have been used to define project indicators and to program disbursements. These instruments will facilitate project monitoring by the executing agency and feed into the supervision tools to be used by the Bank to monitor this operation.
- 3.20 The indicators for each product (see Annex III), defined when the project was being prepared, will be quantified at the start of execution, using the PSM. If, during the program, the executing agency finds that an indicator is falling behind previous measurements, it will determine and adopt corrective measures to bring it back up to standard.
- 3.21 The subcomponents executed by the Ministry of Education and the Solidarity Ministry will have additional monitoring tools annexed to the program's Operating Regulations.
- 3.22 The results will be evaluated annually and measured against the objectives and strategic goals defined during program preparation (see Logical Framework, Annex I) using the indicators for results.
- 3.23 The Bank will monitor program execution on the basis of the reports described in the following paragraphs. The Bank will evaluate every six months the extent to which the annual fiscal targets set out in paragraph 2.3 have been met and will monitor compliance with these targets on a semiannual basis, to determine whether the targets have been fulfilled and, if not, to take such corrective action as is needed. It will be necessary to perform one or more evaluations of certain activities or projects. The Bank and the executing agency will agree on the times and forms of these evaluations, through the corresponding administrative missions. If results are unsatisfactory, the Bank will propose measures to remedy the shortcomings found.

2. Reports

3.24 The borrower will prepare and present the following reports to the Bank:

- a. **Initial report.** As a condition precedent to the first disbursement established in the General Conditions governing the prospective loan, this report will include a detailed work plan that is consistent with the specific projects and contains the following information as a minimum: (i) a detailed timetable of the work to be done under the different projects, including the main activities and goals for the first 12 months; (ii) an integrated plan for contracting consultants; (iii) an integrated training plan for the first year; (iv) an infrastructure plan; and (v) a list of all the full-time staff assigned exclusively to the program.
- b. **Semiannual progress reports.** Reports will be submitted sixty days after the end of each six months of program execution, which include the information needed by the Bank to perform effective monitoring of the program. The reports will contain: (i) status of compliance with the physical goals based on current savings, financial results (excluding net income from privatizations) and the debt/current income ratio (paragraph 2.3); (ii) the detailed schedule of work for the next six months, showing the main goals and objectives; (iii) the main problems detected by the UC that could imperil project development; and (iv) evaluation of the activities, results and goals for the specific projects and the program as a whole (semesters 2, 4, 6 and 8). The semiannual reports for the subcomponent to be carried out by the Ministry of Education should indicate as well the rate of advance of the activities described in the monitoring matrix attached to the Operating Regulations.
- c. **Final report.** Within 120 days after the operation concludes, the borrower will present this report which will contain the following as a minimum: (i) an analysis of program results; (ii) the main obstacles encountered during execution; and (iii) conclusions and recommendations for future operations that are similar to this program.
- d. **Financial reports.** Within 120 days after the end of each calendar year, the borrower will present the financial statements for the program audited by the firm contracted to evaluate procurements, contracts for works and services and disbursements.

IV. PROGRAM FEASIBILITY, BENEFITS AND RISKS

A. Institutional feasibility

- 4.1 The new government presented a program containing innovative proposals to transform the province. To carry it out, the government is relying on support and financing from international lending agencies. Furthermore, during its early months in office, the government presented a program of structural reforms to congress which establish an adequate legal framework for bringing about the substantial changes proposed in provincial management. It has already taken a number of steps that have paved the way for the proposed program.
- 4.2 The difficulties that might arise in carrying out such an ambitious reform program will be surmounted through the support of a Coordination Unit created specifically for programs with international agencies. The unit, as part of the Investment Programming and Financing Coordination Agency, has been established as a permanent fixture to assure the future sustainability of the reforms.

B. Financial feasibility

- 4.3 The provincial government's proposal to modernize the State includes a series of measures that will result in sweeping economic change, including tax reduction, openness to financial and commercial markets, privatization and concession of the main public companies, active policies with a strong positive impact on employment and a firm commitment to fiscal discipline. Projections have been made to evaluate the results of the actions already introduced in the fiscal area and of the future processes of privatization, reform and modernization of the State, and the impact of the debt with the IDB and the World Bank. The intent was to verify consistency between the government's strategy, the proposed physical goals and the actions included in this program with the IDB and the matrix for the World Bank's sector loan.
- 4.4 The proposed loan and the loan being processed by the World Bank have been designed not to have a negative impact on provincial debt. Instead, they will have clearly positive impacts from privatization of the main public companies and the ambitious program to modernize government management.
- 4.5 The financial impact of these lending programs can be summarized as follows. The World Bank will finance privatizations and concessions of public companies which will leave the province with at least US\$600 million net in the treasury. These resources will be used to reduce the provincial debt by US\$400 million. This will cushion the impact of the loans and improve the debt profile. The IDB is contributing technical assistance and financing for modernization of the State which

will have a highly positive impact on improving the provincial government's fiscal management.

- 4.6 When this program was being prepared, different scenarios were developed for the future situation in the province of Cordoba, to obtain a solid evaluation of the impact of the modernization program financed by the Bank and its sustainability over time. In all the cases analyzed, the province is starting from a stable fiscal situation which would become complicated in future unless the changes already begun are brought to completion through the assistance and financing provided by the World Bank and the IDB. The loans do not have an adverse impact on the short-term fiscal situation in any of the scenarios. On the contrary, they improve it and make it sustainable over time.
- 4.7 The Bank's modernization program has more than just an impact on the budget. Modernization of the financial and tax administration systems has a positive impact that begins to be strongly felt in 2002. The combination of the effects of the World Bank's program for privatization and concession of public companies and the IDB's program will permit the province of Cordoba to change the prospects for its public finances. This is true working with both high and low economic growth scenarios. In short, the results of these scenarios indicate that the program will strengthen the province's economic and financial capacity. The impact will be highly positive and a determining factor for the province's sustained development (see technical note: Analysis of the fiscal sustainability of the Province of Cordoba).

C. Environmental impact

- 4.8 From the environmental standpoint, the program will have a significant positive impact since it includes a specific program to develop provincial environmental management. The Bank has financed a development program for environmental institutions (PRODIA) on the national level, including technical assistance and activities for the institutional and legal strengthening of the national and provincial environment systems and, indirectly, of the municipal system. The province of Cordoba's environmental management structure has benefited from the program in the following areas: (i) institutional support in defining structure and operating capacity, which led to creation of the Cordoba Environment Agency in 1999; (ii) support for the establishment of a provincial environmental education center; (iii) participation in the national environmental information system over the Internet; (iv) development of demonstration management standards and instruments for the municipalities; and (v) development of an institutional model for management of the Lago San Roque watershed, including a plan to strengthen its implementation in the municipalities in the watershed.
- 4.9 The project to modernize the Cordoba Environment Agency will make it possible to monitor some of the actions begun under PRODIA and to take new steps to address

emerging environmental problems in the province and consolidate environmental management in the different sectors involved.

- 4.10 The potential negative impacts of the program's investment components will be localized, small and can be fully mitigated through environmental protection procedures and construction standards, which will be developed and incorporated into the program's Operating Regulations. Specifically, under the social sector subcomponent, school construction by the Ministry of Education comes under the Public Works Act (Law 8614) and 1998 School Facilities Planning Guidelines and Basic Regulations, as well as the regulations and standards of the former Secretariat of Housing, whereby the Provincial Facilities Planning Directorate prepares the special and technical bidding conditions. The regulations apply to all construction in the province, and are quite precise in their instructions for location, construction and expansion to ensure the safety and comfort of the school community.

D. Social impact

- 4.11 Owing to its scope, the program will have positive social impacts in the following fields:
- (i) Civil society. Results of public management made available to society in accessible language; society participates continuously in strategic provincial decision-making; demands for information, processes and other citizen interests met; full access to legislative activity and all stages of the law-making process; comparative improvement in citizen confidence in the justice system; denunciation and prosecution of corruption.
 - (ii) Education and poverty. Reduction in repeater and drop-out rates in the poorest schools; the provincial education system covers the majority of school-age children; a higher percentage of youths from poor families receive job training; a higher percentage of students stay in the secondary and post-secondary levels; 50,000 children are prepared to enter primary school and stay there.

E. Benefits

- 4.12 Owing to its nature, the program will have highly positive benefits, since it will improve the provincial government's financial and administrative management capacity and lead to greater efficiency in delivering public services and responding to social demands.
- 4.13 In the area of financial management, the main advantages will be: (i) decentralized budget formulation by the government's line areas that deliver end products to citizens; (ii) the programming of flows of funds for efficient management of public resources; (iii) the introduction of streamlined mechanisms for expeditious

collection of revenues and prompt payment of obligations; and (iv) the provision of timely and reliable information on income and expenditures that can be used managerial decision making and as input for the integrated financial information system.

- 4.14 Although the program is not directly targeted to poverty, its actions will help significantly to improve the quality of life of the poorest families and vulnerable groups. Its main impact will be on the quality of life of the poorest families, particularly female heads of households, by improving access to education and the coverage of programs to assist vulnerable groups. With poor children able to attend school for the first time, their mothers will have time to engage in remunerated employment outside the home.

F. Risks

- 4.15 The province of Cordoba has recently joined the Bank's program for health care reform (1193/OC-AR). It is also eligible to receive funds under the program to assist children and adolescents at risk (1111/OC-AR) and is participating in the emergency program to repair the damage caused by El Niño (1118/OC-AR), through the reconstruction of roads and other infrastructure, chiefly in the southern part of the province. The World Bank will also provide support under a sector loan to strengthen the macroeconomic context and privatize the provincial bank, the energy company and the provincial lottery.
- 4.16 Owing to the confluence of all these factors, it is indispensable to coordinate efforts, particularly those of the two lending agencies, to prevent duplication of efforts. Considering the province's overall debt level, coordination is also necessary to ensure that the province will have the solvency necessary to repay the new debt and to provide the counterpart for the program as a whole. The program's design, execution and final scale take these aspects into account.
- 4.17 Another risk is the less than adequate capacity of the provincial government's own human resources and the need to reassign personnel to the recently-created agencies and new functions. This risk is mitigated by large-scale training programs for managers, professionals and operating staff, which will be supported by introduction of the personnel regulations established in Law 8836. The establishment of a permanent training program will optimize and strengthen the government's human resources.

LOGICAL FRAMEWORK
SUPPORT FOR MODERNIZING THE CORDOBA PROVINCIAL GOVERNMENT

OBJECTIVE	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>consolidate the foundations for a sustainable fiscal balance in the medium term and provide a satisfactory response to the demands of the poor.</p>	<ul style="list-style-type: none"> * Larger own provincial income. * Greater efficiency in provincial public spending. * Greater transparency and control in public management. * Improvements in school coverage, assistance for vulnerable groups and access to justice. * Improvements in the system for planning and regulating environmental management, production and investments in infrastructure. 	<ul style="list-style-type: none"> * Compliance with the fiscal goals agreed upon with the national government as per the semiannual reports. * Publication of fiscal data and statistics by the provincial government. * Up-to-date government fiscal projections * Publication of information on school enrolment and attendance, satisfaction of health care users, assistance for the poorest children and youths, and access to justice. * Publication of rules and regulations for environmental management, production management and the use of water resources. * Access to information systems developed by the program and to the government's web page. 	<ul style="list-style-type: none"> * The process of reducing the provincial public deficit continues and projections are accurate. * The process of structural reform continues through passage of Law 8835/99 (Citizen's Charter); Law 8836/99 (State Modernization) and Law 8837/99 (Privatization and Concessions). * The following reforms are introduced: privatization, agreement with the federal government (on sharing the deficit in the Retirement Fund). The World Bank loan is forthcoming. * The Coordination Unit provides effective coordination and technical assistance.

OBJECTIVE	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>GOAL</p> <p>Provincial public administration as a management model grounded on the basic principles:</p> <ul style="list-style-type: none"> Result-oriented; Controlled by trained managers and public servants committed to their functions; Based on effective control by society and on transparent practices. 	<p>GOAL</p> <p>To modernize provincial tax and financial administration, based on principles of efficiency and transparency.</p> <p>To implement mechanisms for the institutional development of provincial administrative management.</p> <p>To modernize the legislative branch and strengthen the Provincial Auditor's Office.</p>	<p>GOAL</p> <p>To develop and strengthen institutions that provide social services and build the infrastructure necessary to improve user services and the efficiency of public management. These are high-priority investments for the public and for the success of the reforms proposed in the preceding components.</p>	<p>GOAL</p> <p>To develop and strengthen the sectors responsible for the environment and for economic production in the province, in addition to specific investment to modernize the management of provincial infrastructure. These investments are high priorities for environmental protection and education and to support the reforms proposed in the preceding components.</p>
<p>COMPONENT PROJECTS:</p> <ul style="list-style-type: none"> Income Spending Governance Government Provincial Accountant's Office Senate House Education Health care Solidarity Justice Environment Production Public works 	<p>PURPOSE</p> <p>To integrate management of the property register with spatial control, which will help to increase own resources, improve the quality of public spending and permit internal control of government activities.</p> <p>To promote planning for all government areas; to define and introduce instruments for citizen services and participation, coordination with the municipalities, and other reforms needed to make government agencies more effective.</p> <p>To help improve transparency in public management and the quality of public spending.</p>	<p>PURPOSE</p> <p>To improve the quality, equity and efficiency of the provincial education system by providing inputs and technical assistance and building primary and secondary school infrastructure, and by improving and optimizing management by the Ministry of Education and the schools.</p> <p>To improve the quality of health services through continuous follow-up and evaluation.</p> <p>To contribute to the transparency and visibility of social spending, reduce poverty and expand and improve the supply of social services through projects targeted chiefly to vulnerable groups.</p> <p>To strengthen the capacity of the lead agency in the justice sector and carry out actions to lower barriers to access to justice and strengthen legal certainty.</p>	<p>PURPOSE</p> <p>To support the development and consolidation of provincial environmental management through institution-building activities, the development of management tools and priority programs defined in the mandate of the Cordoba Environment Agency.</p> <p>To support the development of provincial production and infrastructure management through tactical and operating plans and regulations for specific sectors, particularly for industry, commerce and services and the use of water resources.</p>

OBJECTIVE	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<p>COMPONENTS AND SUBCOMPONENTS</p> <p>1. Fiscal administration</p> <ul style="list-style-type: none"> • Tax administration • Financial administration <p>2. General government administration</p> <ul style="list-style-type: none"> • Public organization and management • Coordination of municipalities <p>3. Public management control</p> <ul style="list-style-type: none"> • Legislative branch – senate and house • External auditing 	<p>COMPONENTS AND SUBCOMPONENTS</p> <p>4. Social and citizen promotion</p> <ul style="list-style-type: none"> • Education system management and coverage • Health care management • Assistance for vulnerable groups • Access to justice and legal certainty 	<p>COMPONENTS AND SUBCOMPONENTS</p> <p>5. Environmental and economic development</p> <ul style="list-style-type: none"> • Environment • Production development • Management of public infrastructure

1. FISCAL ADMINISTRATION

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Ensure that the budget is balanced.	Zero deficit in 2003.	<ul style="list-style-type: none"> • Publication of the provincial budget report: <ul style="list-style-type: none"> -Current income/current spending -Debt service/total current income 	The government is highly committed to achieving a balanced budget.
Improve investment capacity with own resources, through new procedures for collecting the gross income tax.	5% increase from better management in 2001; 4% in 2002; and 1% from 2003 to 2007	<ul style="list-style-type: none"> • Publication of tax revenue figures and of the revised tax rules. • Income this year/income last year. 	Greater efficiency is achieved in collection and evasion is reduced thanks to better tax rules.
Improve investment capacity with own resources through new procedures for collecting the property tax.	5% increase from the incorporation of m ² in 2001 and 5% in 2002.	<ul style="list-style-type: none"> • Total area this year/total area last year. • Income this year/income last year. 	The geo-referenced property register is expanded.

OBJECTIVE	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
and investment capacity with own resources through new procedures for collecting the stamp tax and other taxes.	5% increase owing to better management in 2001; 4% in 2002; and 1% from 2003 to 2007	<ul style="list-style-type: none"> • Publication of tax revenue figures. • Income this year/income last year. 	These taxes are managed more efficiently.
improve collection of the property tax through better management.	4% increase from better management of collections in 2002; 3% in 2003; and 1% in 2004 and 2005	<ul style="list-style-type: none"> • Debt paid/ debt due. 	Collections are automated.
improve the quality of public spending by preparing result-based budgets.	100% of the budget prepared in a participative manner and linked to the financial goals and indicators in the government's strategic plan.	<ul style="list-style-type: none"> • Total spending/total budgeted spending. • Budget goals/goals achieved. 	Law 8836/99 (Modernization of the State) is passed. The budget law is revised and management indicators are defined.
improve the efficiency of public spending by introducing an integrated financial management system.	100% of government payments made through the system.	<ul style="list-style-type: none"> • Number of agencies on-line (system)/total agencies. 	The province installs an information system.

2. GENERAL GOVERNMENT ADMINISTRATION

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Produce greater transparency in administration through widespread publication of management results.	100% of public agencies publish their results on the Internet and in other media.	<ul style="list-style-type: none"> • Total number of agencies on the Internet/total number of agencies. 	Law 8835 (Citizen's Charter) is passed and the provincial information system is installed.
Obtain greater efficiency in public spending by improving government procurement procedures and controls.	7% savings in 2002 and 3% in 2003.	<ul style="list-style-type: none"> • On-line purchasing (system)/total government procurements. 	Law 8836/99 (Modernization of the State) is passed and procurement rules are published.
Encourage participation by society in strategic decision-making.	100% of public agencies have direct channels of communication with society (Internet, 1-800 numbers, public meetings).	<ul style="list-style-type: none"> • Channels installed/agencies in the structure. 	The provincial information system is installed.
Institutionalize strategic government planning.	100% of government actions integrated in a strategic plan.	<ul style="list-style-type: none"> • Publication of the government's strategic plan. 	The area responsible for planning is operating.
Increase commitment by public servants to management objectives.	100% of public servants understand the government's strategic objectives and goals.	<ul style="list-style-type: none"> • Total number of provincial public servants/total number of public servants trained. 	Opinion polls of public servants are conducted.
Improve citizen satisfaction with public services.	10% annual reduction in complaints.	<ul style="list-style-type: none"> • Total complaints this year/total complaints last year. 	Opinion polls of the general public are conducted.

OBJECTIVE	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Support the establishment of inter-municipal agencies.	17 inter-municipal agencies with defined structures and functions.	<ul style="list-style-type: none"> Publication of information on their creation and installation. 	The municipalities support the agencies.

3. PUBLIC MANAGEMENT CONTROL

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Improve the transparency of provincial legislative activities and streamline legislative proceedings.	100% of the new systems, applied technology and rehabilitated physical plant in operation.	<ul style="list-style-type: none"> Legislature web-page operating. Total proceedings published/total proceedings under way. 	The administrative, financial law-making aspects of institutional management processes are fully public.
Improve the transparency, efficiency, effectiveness and economy of financial administration.	100% compliance with auditing and control systems.	<ul style="list-style-type: none"> The auditor's reports. Total audits performed/total audits programmed. 	Auditing rules have been revised and published and tools have been introduced.

4. SOCIAL AND CITIZEN PROMOTION

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Manage human resources in the education sector more efficiently.	50% reduction in the number of teachers working in two or more schools and an 80% reduction in teacher absenteeism. 100% of teachers in the master registry.	<ul style="list-style-type: none"> Total number of teachers working in a single school/total number of teachers working in two or more schools. Teacher absenteeism this year/absenteeism last year. 	A computerized teacher registry introduced.
Provide schools with management resources, funds and training to raise the quality of education.	100% of poor urban schools (1,000) receive educational materials, technical assistance and funding.	<ul style="list-style-type: none"> Total number of poor urban schools equipped/total number of poor urban schools (1,000). 	The schools have the capacity to use teaching materials and equipment and information systems. A fund is established to finance projects to keep children in school.
Build school infrastructure and improve coverage for school-aged children.	98% of the population between 4 and 14 years and 75% of the population between 15 and 18 attend school. 100% of pupils enrolled in poor urban schools attend for a full day.	<ul style="list-style-type: none"> Total population attending school/total population between 4 and 18 years. Total poor schools teaching a full day/total poor schools. 	Capacity exists to execute the infrastructure works and make procurements..

OBJECTIVE	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
... program. Provide job training for young people 14-22 years of age. Make it possible for young people to attend secondary and post-secondary schools and universities.	Job training for 1,000 teenagers and youths; 3,000 scholarship recipients in secondary schools, 120 in post-secondary schools and 1,400 in universities.	<ul style="list-style-type: none"> Number of young people finding jobs. % of scholarship students who graduate. 	At least 80% of young people who were trained have found jobs and 75% of scholarship students graduate.
Establish community education centers for children up to three, which provide meals, monitor development and provide early stimulation.	500 centers throughout the province serving 50,000 children a year.	<ul style="list-style-type: none"> Health and development of children – weight, height. 	50,000 children are prepared to attend primary school and remain there.
Provide training for in-home caregivers for the elderly.	240 unemployed people from 35 to 55 years of age trained to care for people over 60 in their homes.	<ul style="list-style-type: none"> Number of elderly people assisted. 	At least 10 people are assisted by each caregiver every year.
Reduce the barriers to access to justice and strengthen legal certainty.	500 cases mediated by 2003 (70% of direct beneficiaries are women) and 100% of the anti-corruption office in operation.	<ul style="list-style-type: none"> Total cases mediated. Anti-corruption office operating. 	Law 8835/99 (the Citizen's Charter) is passed.

5. ENVIRONMENTAL AND ECONOMIC DEVELOPMENT

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Optimize environmental management by strengthening the internal structure and improving inter-agency cooperation in the province's jurisdiction.	100% of line units have been consolidated, retrained and equipped with essential tools.	<ul style="list-style-type: none"> Number of Cordoba Environment Agency line units in operation. 	Training and consulting services with the necessary qualifications are available.
Optimize provincial management of production and infrastructure by strengthening the respective ministries.	100% of the tactical and operational planning system is implemented.	<ul style="list-style-type: none"> Publication of plans and regulations in specific areas. 	Consulting services with the necessary qualifications are available.

**SUPPORT FOR MODERNIZING THE CORDOBA PROVINCIAL GOVERNMENT
PROCUREMENT TABLE**

Description	Amount (US\$ millions) IDB	Amount (US\$ millions) LOCAL	Number of lots	Method of award	Dates of publication in SPN
Construction of 100 new schools	0	82,000		LCB	IV-1999
Construction of 100 new schools	41,000	41,000		ICB	I-2001
Equipment for schools (bibliographical and literary materials)	5,000	5,000		LCB	I-2001
Equipment for schools (furniture, supplies and installations)	2,550	2,550	1	ICB	I-2001
Equipment for schools (furniture, supplies and installations)	3,825	3,825	2	ICB	III-2001
Equipment for schools (communications and audio equipment)	4,000	4,000		ICB	I-2001
Equipment for schools (other equipment)	2,000	2,000	1	ICB	I-2001
Equipment for schools (other equipment)	1,875	1,875	2	ICB	I-2001
Equipment for schools (other equipment)	1,550	1,550	3	ICB	III-2001
Computer equipment (PCs)	875	875	1	ICB	I-2001
Computer equipment (PCs)	850	850	2	ICB	I-2002
Computer equipment (PCs, server and Y2K)	0	29,500		LCB	IV-1999
Computer equipment (PCs, server and other)	2,750	2,750	1	ICB	III-2001
Computer equipment (PCs, server and other)	2,475	2,475	2	ICB	III-2002
Projects for courses, workshops & others for teacher training	2,967	2,967		ICB	III-2001
Projects for courses, workshops & others for general training	2,780	2,780	1	ICB	I-2001
Projects for courses, workshops & others for general training	2,780	2,780	2	ICB	I-2002
Projects for courses, workshops & others for general training	2,780	2,780	3	ICB	I-2003
Projects for courses, workshops & others for general training	2,780	2,780	4	ICB	I-2004
Management projects for auditing, debt and tax management	9,793.60	0		ICB	II-2001
Management projects for the Public Income Secretariat	4,192.45	0		ICB	IV-2001
Management projects of financial admin. projects (consulting services)	6,206.90	0		ICB	III-2001
Management projects for the Financial Administration Departments	3,326.80	0		ICB	I-2001
TOTAL	106,356.75	194,337	25		

specific procurement notice

local competitive bidding (not restricted to international participation)

international competitive bidding

EXECUTION INDICATORS

SUPPORT FOR MODERNIZING THE CORDOBA PROVINCIAL GOVERNMENT

supervision system will monitor compliance with the goals for each of the products and activities in the specific projects of the
utions.

ing table describes the main products for each of the program's components and subcomponents

Main products	Goals	Execution indicators
1. Fiscal administration		
a. Tax administration		
Thematic cartography updated	100% of graphic info information updated in 18 months	Digitized topographic maps incorporated into the system/total topographic maps
ic and spatial information integrated and shared by areas and	100% of information integrated and available in 6 months	Amount of information available/total information
c and graphic property base updated	15,000,000 m ² incorporated in 18 months	m ² incorporated/m ² verified
erty assessment system implemented	50% of adjusted properties reassessed in 18 months	Reassessed properties/total properties
mented for conciliation of taxes paid/declared	100% of collections conciliated in 18 months	Collections conciliated/total collections
ve tax system implemented (expansion of OTAX)	100% of functions implemented in 18 months	Functions implemented/total functions
automatic taxpayer selection	100% of taxpayers selected automatically in 18 months	Number of cases selected automatically/total num cases
vice with technical and material capacity	100% of GI taxpayers audited in 36 months	Number of GI taxpayers audited/total GI taxpayer audited (GI = gross income tax)
onitor large taxpayers created	100% of taxpayer-monitoring section created in 18 months	Inspections of large taxpayers completed/total inspections completed

taxpayer awareness plan	100% plan and materials developed in 10 months	Number of materials developed/total materials planned
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b. Financial administration

programs for all areas included in the province's general budget	100% of programs available in 36 months	Number of areas on the Internet/total areas in the provincial public sector
control and evaluation by results (civic participation in decisions)	100% of management indicators identified in 36 months	Number of management indicators for the different areas identified and defined/management indicators for the entire provincial government
financial administration (centralized management of funds and payments) and prompt payment of obligations	100% of the system operating in 36 months	Number of bank accounts included in the Single Treasury Account/number of bank accounts at the end of the project
administration system	100% of the system operating in 36 months	Number of subsystems integrated/total number of subsystems to be integrated (accounting, budget, treasury, public credit)
public credit system	100% of the system operating in 36 months	Number of modules developed/total modules

2. General government administration

a. Government organization and public management

planning and a system for evaluating results institutionalized in the executive branch (DFP)	100% of the system operating in 10 months	Estimated cost of the projects and actions defined in the plan/amount budgeted for 2002
inventory of employees in the executive branch, autonomous agencies, etc., performed (DP)	100% of employees inventoried in 4 months	Number of employees inventoried/total employees
human resource planning carried out (DP)	100% of planning carried out in 8 months	Number of senior staff (up to and including section chief) released/total senior staff
public servants trained in the new State model	100% of senior staff trained in 36 months	Number of staff trained/total number of staff to be trained

Professional level retrained in the new State model	100% technical/professional staff retrained in 36 months	Number of technical and professional staff retrained/total staff to be trained
Public administration retrained in the new State model	100% line staff retrained in 36 months	Number of line staff retrained/total staff to be retrained
Feasibility analysis and proposals for modernization of the allowance	100% calculations made in 4 months	Number of calculations made/total calculations
Evaluation	100% actuarial balance presented in 2 months	Number of groups evaluated/total groups to be evaluated
Call center for citizen service organized (DFP)	100% of the call center organized and operating in 12 months	Number of transactions systemized/total transactions in provincial government areas
Procurement system computerized in use in all provincial areas (DGA)	100% of the system developed and operating in 12 months	Number of procurements incorporated in the system/total procurements
Central registry of provincial property institutionalized	100% of the registry operating in 30 months	Number of properties registered/total properties
Information system is operating with greater processing security (physical and logical) (DFP)	100% of system expansion and security performed in 10 months	Number of points and workposts connected to the network/total number of points and workposts to be connected

b. Linkage with municipalities

Operating structure of inter-municipal agencies	100% of the studies completed in 6 months	Number of periodic reports/total number of reports presented during the study
Economic and financial situation and administrative systems in municipalities and communes	100% of the studies completed in 6 months	Number of reports presented/number of reports to be presented

3. Public management supervision

a. Legislative branch

Procedures for administrative procedures prepared	100% of the manual completed in 4 months	Number of procedures standardized/total procedures
Staff positions and performance evaluation implemented	100% of the plan implemented in 10 months	Number of staff classified/total staff
Information service installed	100% of equipment installed in 4 months	Number of equipment installed/total equipment planned

Information system to track judicial proceedings introduced	100% of modules introduced in 14 months	Number of modules introduced/total modules planned
Management and routing system established	100% of modules introduced in 2 months	Number of modules introduced/total modules planned

b. External auditing

System for auditing of contracting and administrative spending orders	100% selective audits reduced in 12 months	Number of computerized files/number of files audited Optimum index is '1'
Conformity and evaluation of internal control, including reliability	100% of executing units audited in 12 months	Number of audits/number of executing units
Financial and management audits of income and expenditures	100% of executing units audited in 12 months	Number of audits performed/number of executing units

4. Social and citizen promotion

a. Management and coverage of the education system

Program to increase school autonomy through organizational criteria and development for principals and supervisors designed and applied	6,000 principals and supervisors in 30 months	Principals and supervisors trained/6,000 principal supervisors
Management monitoring system designed and introduced in the schools	3,500 provincial schools in 36 months	Provincial schools with management monitoring systems/3,500 provincial schools
Classrooms and school additions built and/or existing schools refurbished.	280,000 m ² in 30 months	m ² built/280,000 m ² planned
Schools provided with furniture	450 schools in 30 months	Schools provided with furniture/450 beneficiary schools
Schools provided with textbooks, manuals, literature, science and reference materials, dictionaries	1,200 schools in 36 months	Schools provided with textbooks and bibliographic materials/1,200 beneficiary schools
Schools provided with educational materials per student and classroom (software, games, subscriptions, laboratory inputs)	1,200 schools in 36 months	Schools provided with educational materials/1,200 beneficiary schools
Program introduced to allocate funds on a competitive basis for projects to improve teaching materials	2,880 projects in 30 months	Educational and school retention projects/2,800 projects envisaged
Teacher training through courses selected by the teachers based on needs and school projects	8,000 teachers in 30 months	Teachers trained/8,000 beneficiary teachers

b. Health care service management		
offices	100% of the offices operating in 6 months	Complaints acted on/complaints made.
applied for dynamic monitoring of services for IPAM members e, level of care and type of provider	100% of members monitored in 6 months	Number of members monitored/total members
c. Assistance for vulnerable groups		
management indicators	100% of the system developed in 12 months	Number of modules developed/total number of m
families in vulnerable situations	100,000 families registered in FIBAPS fichas in 24 months	Number of families registered/total families
am supervision and evaluation system	40 social programs supervised and evaluated in 24 months	Number of program supervised and evaluated/tot programs
growth and development of children aged 2 to 5 in the PPANF	10,000 children aged 2 to 5 in 24 months	Number of children analyzed/total children in the program
analysis of SPSS data for municipalities	750 people trained in 36 months	Number of people trained/total
t of the youth solidarity program (SOL)	3,000 youths trained and 11,100 youths given scholarships in 36 months	Number of youths trained and in the formal educ system/total youths
omecare for the elderly	240 home caregivers trained in 36 months	Number of caregivers trained/total
n of children and teens with families	3,000 children and teens in 36 months	Number of children deinstitutionalized/total po assisted
rage for street children and teens	1,800 children and teens assisted in 36 months	Number assisted/total
social management coordination and linkage	237 municipalities, 170 communes and 40 NGOs connected to the system in 36 months	Number of municipalities/communes and connected to the social information system/total
d. Access to justice and legal certainty		
tion of the public register and decentralization of company	100% of the register computerized and decentralized in 36 months	Number of offices computerized and decentraliz planned

an economic crimes code	100% of the code established in 36 months	% percentage of sentences/100% of charges laid start of year three, with sentences within eight months after the charges
an anti-corruption office	100% of the office operating in 36 months	Irregularities taken to court/100% of irregularities detected
creation of an alternative dispute settlement office	100% of the office operating in 36 months	Number of mediation centers operating/total number of centers planned

5. Environmental and economic development

a. Environment

Environment Agency operational	8 CEA units operating	Number of units operating satisfactorily/8 units
Water quality management	2 management instruments implemented	Number of instruments operating/2 management instruments
Plans for the sustainable use of forest resources and natural heritage	8 pilot projects on sustainable use in 28 months	Number of pilot projects concluded/total pilot projects planned
"Coba Program"	12 regions with solid waste management plans in 28 months	Number of regions with waste management plans/12 regions with plans
Provincial natural areas	7 provincial natural areas consolidated	Number of protected areas/7 areas
Environmental sanitation plan for the Lago San Roque watershed	1 general management and sanitation plan in 28 months	% progress/total plan

b. Production development

Production certified on the basis of international quality	100% of operating areas certified in 36 months	Operating areas certified/total operating areas in ministry
Implementation of policies and application of legislation for the protection of forests	100% of policies implemented in 36 months	Coverage achieved/coverage programmed

for export promotion and development	100% of plans implemented in 36 months	Number of projects executed/total projects planned
c. Public infrastructure management		
tion of the Water Act and its enabling regulations	100% of the act standardized in 12 months	Number of chapters developed/total chapters to be developed
water resource management plan	100% of the plan developed in 12 months	Number of plans developed/total plans to be developed
of hydrological risk maps and alert systems	100% of the map prepared in 12 months	Number of modules developed/total modules to be developed

PROPOSED RESOLUTION

LOAN /OC-AR. TO THE PROVINCIA DE CORDOBA, ARGENTINA
PROGRAM TO SUPPORT THE MODERNIZATION OF THE STATE
IN THE PROVINCE OF CORDOBA

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 Provincia de Córdoba, Argentina, as Borrower, and the Nación Argentina, as Guarantor, for the purpose of granting the former a financing to cooperate in the execution of a Program to Support the Modernization of the State in the Province of Córdoba. Such financing will be for the amount of up to two hundred fifteen million dollars (US\$215.000.000), which are part of the Single Currency Facility of the Ordinary Capital resources of the Bank, and will be subject to the "Special Contractual Conditions" and the "Financial Terms and Conditions" of the Executive Summary of the Loan Proposal.