

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

ARGENTINA

**PROGRAM TO IMPROVE WATER SERVICES IN THE PROVINCE OF
BUENOS AIRES**

(AR-L1345)

LOAN PROPOSAL

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ABBREVIATIONS	
ABSA	Aguas Bonaerenses S.A.
DIPAC	Dirección Provincial de Agua y Cloacas [Provincial Water and Sewerage Division]
DPOMyFB	Dirección Provincial de Organismos Multilaterales y Financiamiento Bilateral [Provincial Office of Multilateral Organizations and Bilateral Financing]
ESMP	Environmental and Social Management Plan
ESPF	Environmental and Social Policy Framework
ESPS	Environmental and Social Performance Standards
ICAS	Institutional Capacity Assessment System
IDB	Inter-American Development Bank
INDEC	Instituto Nacional de Estadísticas y Censos [National Institute of Statistics and Census]
IRR	Internal rate of return
MISP	Ministerio de Infraestructura y Servicios Públicos de la Provincia de Buenos Aires [Ministry of Infrastructure and Public Services of the Province of Buenos Aires]
NCB	National competitive bidding
NDC	Nationally Determined Contribution
PBA	Province of Buenos Aires
SAE	Secretaría de Asuntos Estratégicos [Department of Strategic Affairs]
SDG	Sustainable Development Goal
SSPyEI	Subsecretaría de Planificación y Evaluación de Infraestructura [Infrastructure Planning and Evaluation Division]
SSRH	Subsecretaría de Recursos Hídricos del MISP [Water Resources Division of the MISP]
UCEPO	Unidad de Coordinación y Ejecución de Proyectos de Obras [Works Coordination and Execution Unit]
UEPEX	Sistema de Unidades Ejecutoras de Préstamos Externos [System of Execution Units for External Loans]

PROJECT SUMMARY
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Financial Terms and Conditions							
Borrower:				Flexible Financing Facility ^(a)			
Province of Buenos Aires (PBA)				Amortization period:		24.5 years	
Guarantor:				Disbursement period:		5 years	
Argentine Republic				Grace period:		6 years ^(b)	
Executing agency:				Interest rate:		Based on SOFR	
The borrower, acting through the Ministry of Infrastructure and Public Services (MISP), through its Infrastructure Planning and Evaluation Division (SSPyEI).				Credit fee:		(c)	
Loan instrument:				Inspection and supervision fee:		(c)	
Multiple works program				Weighted average life:		15.25	
Source	Amount (US\$)	%					
IDB (Ordinary Capital) ^(d) :	75,000,000	80					
Local contribution:	18,750,000	20					
Total	93,750,000	100	Approval currency:		U.S. dollars		
Project at a Glance							
Project objective/description: The general objective is to help improve quality of life for the residents of the Province of Buenos Aires (PBA) through the provision of water services. The specific objectives are: (i) to improve the quality and operating capacity of water services; and (ii) to improve management at Aguas Bonarenses S.A. (ABSA) and the provincial entities involved in water and sanitation services.							
Special contractual conditions precedent to the first disbursement of the loan: (i) the signing and entry into force of a framework agreement between the MISP and ABSA as mentioned in paragraph 3.7 (i), under terms and conditions previously agreed upon with the Bank (paragraph 3.8); and (ii) the approval of the program Operating Regulations pursuant to a resolution adopted by the MISP, under terms and conditions previously agreed upon with the Bank (paragraph 3.8).							
Special contractual conditions of execution: (i) upon the transfer to ABSA of each work built with resources from Component 1 of the program, a transfer and operation agreement between the executing agency and ABSA will be signed and enter into force, as mentioned in paragraph 3.7 (ii); and (ii) prior to the start of activities under Component 2 of the program to strengthen management at ABSA: (a) recommendations arising from the institutional capacity assessment of ABSA, in accordance with Bank instruments, will be agreed upon, to the Bank's satisfaction; and (b) evidence will be presented documenting the signing and entry into force of a sub-execution agreement between the executing agency and ABSA to transfer resources and execute said activities, as mentioned in paragraph 3.7 (iii), under terms and conditions previously agreed upon with the Bank (paragraph 3.9). See also special contractual conditions of disbursement and execution in Annex B to the Environmental and Social Review Summary (link 2).							
Exceptions to Bank policies: None							
Strategic Alignment							
Challenges ^(e) :	SI <input checked="" type="checkbox"/>		PI <input checked="" type="checkbox"/>		EI <input type="checkbox"/>		
Crosscutting themes ^(f) :	GE <input checked="" type="checkbox"/> and DI <input checked="" type="checkbox"/>		CC <input checked="" type="checkbox"/> and ES <input checked="" type="checkbox"/>		IC <input checked="" type="checkbox"/>		
Sustainable Development Goals ^(g) :	SDG1 <input checked="" type="checkbox"/>	SDG2 <input type="checkbox"/>	SDG3 <input checked="" type="checkbox"/>	SDG4 <input type="checkbox"/>	SDG5 <input type="checkbox"/>	SDG6 <input checked="" type="checkbox"/>	SDG7 <input type="checkbox"/>
	SDG8 <input type="checkbox"/>	SDG9 <input checked="" type="checkbox"/>	SDG10 <input checked="" type="checkbox"/>	SDG11 <input checked="" type="checkbox"/>	SDG12 <input checked="" type="checkbox"/>	SDG13 <input checked="" type="checkbox"/>	SDG14 <input type="checkbox"/>
	SDG15 <input type="checkbox"/>	SDG16 <input type="checkbox"/>	SDG17 <input type="checkbox"/>				

^(a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

^(b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

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

^(d) In accordance with document AB-2990, the pace of disbursement by the IDB of the loan proceeds drawn against the IDB's Ordinary Capital will be subject to the following restrictions: (i) a maximum of 15% in the first 12 months; (ii) a maximum of 30% in the first 24 months; and (iii) a maximum of 50% in the first 36 months, counted in all instances from the date on which the loan operation is approved by the Board of Executive Directors. These restrictions may not apply if the requirements established in the relevant Bank policy have been met, provided that the borrower has been notified in writing.

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

^(f) GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

^(g) SDG (Sustainable Development Goal). Click [here](#) for more information on the SDGs, and [here](#) to consult the IDB Group SDG Project Classification Methodology.

I. DESCRIPTION AND RESULTS

A. Background, problem addressed, and rationale

- 1.1 **The province of Buenos Aires.** The Province of Buenos Aires (PBA) is the most heavily populated province in the Argentine Republic, home to more than 15.5 million residents according to the National Institute of Statistics and Census (INDEC).¹ Of these, some 12 million live in the [metropolitan area](#)^{2,3} that is politically part of the province and surrounds the [Autonomous City of Buenos Aires](#). Approximately 3.9 million residents live beyond the Buenos Aires Metropolitan Area⁴ in the so-called Buenos Aires interior.⁵ With 50.8 residents per square kilometer, the Province of Buenos Aires is the third most densely populated jurisdiction after the Autonomous City of Buenos Aires and the Province of Tucumán.⁶
- 1.2 **Institutional framework of the water and sanitation sector.** The Ministry of Public Works is the apex agency for the water and sanitation sector at the national level, acting through its Department of Water Infrastructure and Policy, which creates policies and national plans and allocates resources to the sector. In the Province of Buenos Aires, this role falls to the Ministry of Infrastructure and Public Services (MISP) through the Water Resources Division (SSRH) and the Provincial Water and Sewerage Division (DIPAC). Auditing and oversight are handled by the PBA Water Authority. Since 2002, water and sanitation services in the Province of Buenos Aires have been managed by Aguas Bonaerenses S.A. ([ABSA](#)),⁷ a public company under the government of the Province of Buenos Aires that provides services to 53 of its municipalities. [Agua y Saneamientos Argentinos](#), another public company, provides services to the Autonomous City of Buenos Aires and, since 2016, to 25 municipalities in Greater Buenos Aires.
- 1.3 **Diagnostic assessment of the problem involving access to water and sanitation services in the Province of Buenos Aires.** Although sanitation coverage in the Province of Buenos Aires increased significantly and water

¹ https://www.indec.gob.ar/ftp/cuadros/poblacion/censo2010_tomo1.pdf

² <https://observatorioamba.org/planes-y-proyectos/rmba>

³ http://www.mosp.gba.gov.ar/sitios/urbanoter/planurbana/RMBA_ModeloActual.pdf

⁴ The Buenos Aires Metropolitan Area covers all urban settlements and their respective areas of influence that are functionally integrated into the main urban area and includes 44 administrative units over an area of 18,380 square kilometers ([link](#)).

⁵ *Hacia una clasificación de los municipios bonaerenses*. Working Paper, Provincial Office of Economic Studies and Projections (DPEPE) No. 04/2012, December 2012 ([link](#)).

⁶ There are two very different demographic and social realities in the Province of Buenos Aires: the metropolitan area (excluding the Autonomous City of Buenos Aires) has a population density of 867.9 residents per square kilometer, while the territory comprising all the interior Buenos Aires municipalities has 12.5 residents per square kilometer.

⁷ ABSA was created through Decree 517/02 on 13 March 2002 and ratified by Law 12.989 of 28 November 2002. It establishes, among other things, that ABSA is responsible for providing services under the same terms and conditions as those in the Concession Agreement with the previous concessionaire, with the exception of the investment and expansion of services regime. Section 1.7 of the Concession Agreement states that the concession term is 30 years beginning 1 July 1999, the date when concessionaire Azurix Buenos Aires S.A. took over the service.

coverage increased slightly⁸ between 2010 and 2019, there are still gaps in access.⁹ The quality issues with water service persist, particularly in settlements and urban localities of fewer than 100,000 inhabitants (area of intervention of most of the localities targeted by this operation), and the conurbation's urban¹⁰ and periurban areas, where the poorest residents are concentrated.¹¹ This is particularly relevant because there is a positive correlation¹² between environmental quality, health¹³ and the availability of water and sanitation services.¹⁴ Access to water and sanitation services decreases the likelihood of contracting waterborne illnesses,¹⁵ which has a direct effect on the reduction of infant mortality and morbidity.¹⁶

- 1.4 **Some factors that explain the coverage gaps are:** (i) not prioritizing investment in the sector; (ii) lack of planning or a portfolio of viable (preinvestment) projects to close existing access gaps or address population growth; (iii) low capacity of provincial entities to execute and supervise works, which affects the efficiency of public spending and the effectiveness of investments; (iv) insufficient resources to maintain and expand services; (v) existing infrastructure that has generally surpassed its useful life¹⁷ and has operation and maintenance needs that affect its sustainability;¹⁸ (vi) the need to incorporate additional water treatment processes to

⁸ According to data from the 2010 Census, the Permanent Household Survey (fourth quarter 2019), and the National Water and Sanitation Database compiled by the National Office of Water and Sanitation, the percentage of the population with access to the piped water supply in the Province of Buenos Aires was 74.4% and the percentage with access to the public sanitation system was 45%; by 2019, coverage had increased to 76.5% and 55.4%, respectively.

⁹ The coverage gap among Province of Buenos Aires residents is 23.5% for safe drinking water and 44.6% for sanitation.

¹⁰ The Buenos Aires conurbation has the highest concentration of poverty. For the localities in the operation's sample, San Vicente and Marcos Paz, 12.3% and 15.8% of the population have at least one unmet basic need, a rate higher than the average of the partidos of Greater Buenos Aires (9.3%). Among the rest of the localities in the sample, which are all rural, between 2.6% and 6% of the population have unmet basic needs, which is lower than the Greater Buenos Aires average (INDEC). Permanent Household Survey - third quarter 2020. www.indec.gob.ar

¹¹ Water coverage for populations with unmet basic needs is 73%, while for groups that do not have unmet basic needs, coverage rises to 85%. National Water and Sanitation Plan – 2016 ([link](#)).

¹² Prüss-Ustün, A., et al. 2014 and M. Kremer et al., 2007.

¹³ According to an [experimental impact evaluation by the IDB in small communities in Bolivia](#), water and sanitation projects reduce the incidence of diarrhea in children ages 6 to 17 by 10 percentage points.

¹⁴ According to the Bank's flagship publication [DIA 2020: From Structures to Services](#), to close access gaps, reduce inequalities, and achieve benefits requires more than just infrastructure investments. Services have to be quality and users must use the infrastructure properly.

¹⁵ A consulting assignment in Argentina, conducted in preparation for loan 3256/OC-AR, found that lack of sewerage increases the likelihood of contracting waterborne illnesses between 9% and 24% (Halcrow, 2013). Reconquista River Basin Comprehensive Management Program - Project Evaluation Methodology. Volume V, p. 23-25 ([link](#)). Galiani et al. (2007); Reductions were found in the occurrence, frequency, and severity of diarrheal episodes in children due to the expansion of the water system in Argentina ([link](#)).

¹⁶ Wagstaff and Claeson, 2004, ([link](#)); Gamper-Rabindran, et. al. 2010, ([link](#)) and Schady, N., 2015 ([link](#)).

¹⁷ In most cases, the infrastructure for treating and distributing water is more than 70 years old. Based on the infrastructure type and materials used, the estimated useful life would be: (i) 50 years for concrete structures at treatment plants; (ii) 15 to 25 years for mechanical and electrical equipment; and (iii) 25 years for pressurized pipes. EPA-816-R02-20, September 2002 ([link](#)).

¹⁸ As [DIA 2020](#) highlights, service sustainability is based not only on infrastructure but also on how the services are managed and regulated.

meet established quality standards (paragraph 2.5); and (vii) the limits on ABSA's installed capacity to collect, treat, store, and distribute safe drinking water.

- 1.5 **Management of water and sanitation services.** ABSA has challenges regarding its operational and financial management, including: (i) low micrometering levels (around 30% in 2021); (ii) low collection rates;¹⁹ (iii) estimated water losses between 40%²⁰ and 45%²¹ of volume produced; and (iv) water quality challenges due to the natural characteristics of water from the aquifers, which have natural contaminants like arsenic, sodium, fluoride, and other contaminants such as nitrates and nitrites at higher-than-allowable levels.²²
- 1.6 **Gender, disability, and inclusion.** The Province of Buenos Aires' Ministry of Infrastructure and Public Services (MISP) does not include in its bidding documents for works any gender-based requirements or criteria to promote equal opportunities within the sector, particularly among contractor companies that provide services in the water and sanitation sector. The institution still lacks an area to promote inclusion of persons with disabilities. In 2021, the MISP created the Program for Gender Equality,²³ which calls for different lines of action, including technical assistance and training for contractor companies. Based on a survey²⁴ of contractor companies in the water and sanitation sector, only 7.1% of workers are women; however, 17.1% of board positions are held by women. Women have a stronger presence in areas such as legal, administration, finance, communications, and human resources, but there is room for them to hold more positions in central areas such as the technical and operations departments. None of the surveyed companies reported having a policy for persons with disabilities ([link 11](#)).
- 1.7 **Technological innovation and digital transformation.** Investment in digitalization and automation, innovation, and adoption of new technologies will improve service delivery ([DIA 2020](#))²⁵ and allow for real-time data generation to inform decision-making, which will improve service quality.²⁶ Efficient operation of

¹⁹ Amount collected annually/amount billed annually. 72% for 2021.

²⁰ Loss percentage in sample projects, principally caused by the materials (reinforced concrete with damaged joints) in the primary distribution networks (core pipes) and those that have outlived their useful life.

²¹ One benchmarking study from ADERASA of a representative sample of operators in Latin America found micrometering levels of 78% and from ANC of 42% on average.

²² The water quality standard recently changed the allowed limit for arsenic content, which means water treatment processes must be adjusted to comply with the allowable parameters issued by the Department of Health Quality and the Department of Food, Bioeconomy, and Regional Development ([Joint Resolution 22/2021](#)).

²³ Approved by Resolution 242/2021 with the support of the IDB through loan 4435/OC-AR, Program to Strengthen the Management Capacity of Buenos Aires Province.

²⁴ Preliminary data from the Survey of Gender, Diversity, and Inclusion in the Water and Sanitation Sector conducted jointly by the MISP and the IDB with approximately 28 contractor companies in the water and sanitation sector.

²⁵ According to [DIA 2020](#), the digitalization of infrastructure services can drive economic growth (GDP increase of 5.7% on average for Latin America and the Caribbean) and reduce the cost of services, thereby benefiting the poorest citizens, who spend a larger percentage of their income (14.1%) than the wealthiest (11%).

²⁶ Given the possibility that the COVID-19 pandemic may continue, companies should consider ways to automate their processes and use emerging technologies to minimize customer contact and employee exposure.

systems is a challenge for ABSA due to the wide geographic distribution of water grids and the lack of georeferenced data, which makes it hard to identify weak points in the distribution systems.

- 1.8 **Climate change and environmental sustainability.** Argentina's socioeconomic conditions and its terrain, climate, and geography make it vulnerable to climate change impacts. The national average annual temperature increased between 1960 and 2010 and has risen by as much as one degree Celsius in some parts of the Patagonia region. Historical data shows increased precipitation in almost the entire country over the same period, with the largest increases in the east and in some semiarid zones.²⁷ Heavy precipitation also increased in frequency and intensity throughout the whole country, though more so in some areas than others, particularly in the humid coastal region. Water and sanitation infrastructure must keep these changes in rain intensity in mind to avoid flood damage ([link 12](#)).
- 1.9 [The second Nationally Determined Contribution \(NDC\)](#) presents an ambitious goal that aims to limit greenhouse gas emissions to a level 27% below the first NDC commitment in 2016 and lays the foundation for a national development strategy with low emissions in the long term with the goal of carbon-neutral development by 2050. According to Argentina's last [Biennial Update Report on Greenhouse Gas Emissions](#), the country's total net emissions in 2016 were estimated at 364,436 carbon dioxide equivalents. [Law 27,520](#), Minimum Budgets for Climate Change Adaptation and Mitigation, ordered the creation of a national cabinet for climate change, an inter-ministerial coordination body to reach the necessary agreements to meet the NDC's goals and prepare two core political frameworks: (i) National Climate Change Adaptation and Mitigation Plans, to integrate adaptation and mitigation actions into the work plans of various ministries and areas of government; and (ii) the long-term decarbonization strategy.
- 1.10 The NDC has identified 35 climate change adaptation actions with special relevance to the water and sanitation sector: (i) increase the resilience of industrial hubs and areas to extreme climate events; (ii) manage water resources with an integrated approach to ensure its availability, sustainable use, and quality for diverse human and natural uses against the impacts of climate change; and (iii) encourage environmental education and culture through awareness and knowledge of climate change impacts, risks, and vulnerabilities for effective public policy on adaptation.
- 1.11 **Strategy in the Province of Buenos Aires.** Although coverage gaps still exist for water and sanitation services (paragraph 1.14), the Province of Buenos Aires has made it a priority to address quality and efficiency in the provision of safe drinking water, enabling it to increase ABSA's operating capacity and expand water coverage on an ongoing basis. The program interventions are part of the Province

²⁷ Argentina is particularly vulnerable to climate change because it has coastal, arid, and semi-arid zones at risk of drought and desertification, areas at risk of forest damage, areas prone to natural disasters, and areas with fragile ecosystems. Projected temperature changes under the two extreme representative concentration pathways for the near and distant future oscillate between 0 and 1.0 degree Celsius higher than in the period between 1960 and 2010. In all scenarios, warming will be greater in the northern part of the country than in the central and southern regions. For projections of average rainfall, models indicate marginal changes with respect to historical averages between -10% and 10%. However, increases in heavy rainfall are projected. Precipitation projections have a high degree of uncertainty ([Third National Communication](#)).

of Buenos Aires's 2020-2024 [Strategic Infrastructure Plan](#), which proposes to channel provincial resources²⁸ toward works that transform the lives of Buenos Aires residents through access to health, quality services, a healthy environment, and a dignified life, by increasing access to quality water services, incorporating innovation into service delivery, and creating jobs.²⁹ The Program is also consistent with the [Federal Water and Sanitation Plan](#), which proposes an integrated approach to basic water and sanitation access for the entire population. As an intermediate step to the universalization of the services in the Sustainable Development Goals (SDGs), this plan aims to achieve 88% water coverage and 66% sanitation coverage throughout the country by 2023. Likewise, it is in line with the [Argentina Hace Plan](#), which promotes small and medium-sized works in the Province of Buenos Aires to revitalize the economy, generate local jobs with gender parity, and guarantee the right of access to water and sanitation services.

- 1.12 **Program strategy and design.** In line with the Province of Buenos Aires's action strategy, the proposed operation will provide financing for interventions to improve water quality, which require the incorporation of additional water treatment processes to come into line with the quality parameters set forth in the Argentine Food Code (paragraph 1.5), and for interventions to improve operational efficiency, reducing water losses in mains that have exceeded their useful life and have the highest loss rates (paragraphs 1.5 and 1.21). These investments will be paired with actions to strengthen the operator of the systems (ABSA) in terms of investment sustainability, and DIPAC, which will supervise the works and conduct sector planning and pre-investment studies in the Province of Buenos Aires (paragraph 1.22). These interventions will give ABSA the infrastructure it needs to comply with quality standards, as well as increased water distribution capacity that will be more efficient (with reduced physical water losses) and better managed, enabling the company to expand coverage to areas that still lack service (paragraph 1.3) and keep pace with future demand.
- 1.13 **Strategy for gender inclusion and diversity.** Taking into account the diagnostic assessment (paragraph 1.6), the program will target actions to encourage: (i) the inclusion of gender requirements in all works bidding documents for contracting companies working with the program, such as: company-wide gender equality policies, payrolls disaggregated by gender and role, gender-segregated restrooms and facilities, use of inclusive language, and more; (ii) trainings and technical assistance on gender for contracting companies, to be covered by loan 4435/OC-AR, "Program to Strengthen the Management Capacity of Buenos Aires Province" (in execution), which is financing the gender unit at the MISIP; and (iii) specific training and technical assistance for inclusion of perspectives of people with disabilities at the MISIP, to be financed with operation funds.
- 1.14 **Strategy to incorporate innovations into water and sanitation services.** Investments will be paired with actions to help identify and intervene in areas that

²⁸ The total expected water and sanitation investment in the Strategic Infrastructure Plan is US\$1.35 billion and includes the delivery of safe drinking water to small villages in areas with scarce or critical water levels. An estimated 4.5 million residents are expected to benefit from the water projects, and 2.3 million will benefit from the sewerage works. The Strategic Infrastructure Plan is expected to create 14,056 jobs.

²⁹ [DIA 2020](#) estimates that approximately 30,000 jobs are created, directly or indirectly, for every \$1 billion invested in infrastructure in Latin America and the Caribbean.

require transformation and improvement, making particular use of AquaRating's innovation tools. These tools can be used to assess conditions and a company's innovation mindset and from there, to identify innovation priorities and set them in a plan to ensure useful and efficient innovation in line with the essential responsibilities and functions of a water and sanitation services company. The plan is to finance the installation of telemetry equipment and remote commands so that systems can be operated remotely and to expand and strengthen systems for digitalization and georeferenced data (digitalization of plans, updating of hydraulic models, communication equipment, etc.) to consolidate ABSA's operations and service databases.

- 1.15 **Strategy to incorporate climate change considerations.** Based on the diagnostic assessment presented earlier (paragraphs 1.8, 1.9, 1.10), the program will contribute to the mitigation of greenhouse gas emissions through: (i) investments in water systems to reduce physical water losses, and (ii) the selection of alternative, low-emission water treatment and arsenic control technologies in line with the new regulations. The program also contributes to adaptation through: (i) investments that reduce risks to water infrastructure associated with more frequent floods; and (ii) a hydraulic modeling study that includes projected changes associated with climate change in local hydrology with a view to developing an aquifer protection program.
- 1.16 **The Bank's experience in the sector.** The Bank has considerable experience developing and executing water and sanitation programs in Argentina. It has a [current portfolio](#) of 10 loan operations in execution, eight of which in water and sanitation. This operation will continue the current line of work tied to the Bank's comprehensive support strategy³⁰ by improving Argentina's water and sanitation services, including projects in urban centers (CCLIP [AR-X1017](#)), the Buenos Aires Metropolitan Area (CCLIP [AR-X1013](#) and [AR-O0004](#)), the watersheds of the Reconquista River ([3256/OC-AR](#)) and the Uruguay River ([4822/OC-RG](#)), and the provinces that are part of the Plan Belgrano ([2776/OC-AR](#) and [4312/OC-AR](#)). Bank financing for these interventions totals US\$2.199 billion, of which 40% has been disbursed, benefitting over 840,000 households so far with water and sanitation services.
- 1.17 **Lessons learned.** Among the main lessons learned from an assessment of similar operations in Argentina³¹ and the region, the following stand out: (i) create a portfolio of projects in the initial years of the program's execution that accelerate the commitment of program resources, for which the proposal is to strengthen the DIPAC preinvestment team (paragraph 1.22) and get started on the design of projects apart from the sample using resources from the Program to Strengthen the Management Capacity of Buenos Aires Province ([4435/OC-AR](#)) currently in execution, so that work on project designs has started ahead of the operation; (ii) strengthen work oversight capacity to reduce cost and schedule deviations, for which DIPAC is expected to be receive equipment, systems, and human resources (paragraph 1.22); (iii) ensure proper operation and maintenance of the

³⁰ According to [DIA 2020](#): From Structures to Services, to close access gaps, reduce inequalities, and see benefits requires more than just infrastructure investments. Providing users with proper and sustainable infrastructure means ensuring quality services.

³¹ See project completion reports [1895/OC-AR](#), [2048/OC-AR](#), and [2343/OC-AR](#).

investments, for which action will be taken to strengthen management capacity at ABSA, the systems operator, including financing for staff training on the new technologies and infrastructure (paragraph 1.22); and (iv) ensure timely execution of the strengthening component, for which work was begun on implementing [AquaRating](#) at ABSA during program preparation and on developing terms of reference to update the water and sanitation master plan for the Province of Buenos Aires and the hydrogeological studies, so that contracting processes can be launched promptly.³²

- 1.18 **IDB Group country strategy.** The program is aligned with the IDB Group Country Strategy with Argentina 2021-2023 (document GN-3051) in the priority area of “poverty reduction and social protection of the most vulnerable.” One of this area's strategic objectives is “improving the habitat and mobility of the population.” The program aims to improve water and sanitation access in the Province of Buenos Aires's smaller communities with subsequent impacts on health and wellbeing (paragraph 1.4), prioritizing projects by their social and economic impact (paragraph 3.5). The program is part of the 2022 Operational Program Report (document GN-3087).
- 1.19 **Consistency with the Public Utilities Policy (document GN-2716-6)** This program and the national objectives are compatible with the principles of the Public Utilities Policy and meet conditions for financial sustainability and economic evaluation, inasmuch as ABSA covers its operations and maintenance costs through a combination of fees and regular and transparent contributions from the Province of Buenos Aires (paragraph 1.33). Moreover, the works to be financed are socioeconomically viable (paragraph 1.30). ([link 10](#)).

B. Objective, components, and cost

- 1.20 **Objectives.** The general objective is to help improve quality of life for the residents of the Province of Buenos Aires (PBA) through the provision of water services. The specific objectives are: (i) to improve the quality and operating capacity of water services; and (ii) to improve management at Aguas Bonarenses S.A. (ABSA) and the provincial entities involved in water and sanitation services.
- 1.21 **Component 1. Infrastructure works and inspections (IDB: US\$65.96 million; Local: US\$16.49 million).** This component will contribute to specific objective (i) through: (a) works to upgrade and/or build distribution systems, including water distribution systems, chambers and cisterns, pumping stations, the provision and installation of macro and micrometers and valves, and the installation and repositioning of household connections; (b) works to improve the quality and availability of the water supply, including upgrades to and/or construction of water treatment plants and wells, the provision and installation of equipment to supply electricity to the plants, and associated works; and (c) technical, environmental, and social inspection of the works, including steps to encourage gender equality policies and inclusion of persons with disabilities in construction companies.
- 1.22 **Component 2. Strengthening of management for the provision of water and sanitation services (IDB: US\$6.91 million; Local: US\$1.73 million).** This

³² The Bank will help the Province of Buenos Aires create terms of reference with administrative resources.

component will contribute to specific objective (ii) through activities to support: (a) the improvement of management at ABSA, including equipment for proper operation and management of the works to be built, implementation of a plan to modernize technology, equipment to strengthen water quality labs, studies and projects, and other activities, including those prioritized as part of implementation of the AquaRating; and (b) the strengthening of entities in the Province of Buenos Aires that are involved in water and sanitation services under the MISP (including the SSRH and DIPAC), including water and sanitation master plans in Province of Buenos Aires localities, which will include criteria to manage climate change risks and help reduce greenhouse gas emissions to the extent technically and economically viable; hydrogeological studies; and equipment, training, and consulting assignments to support the development of new projects, technical, environmental, and social supervision of works, and policies for gender equality and inclusion of persons with disabilities.

- 1.23 **Administration, evaluation, and management (IDB: US\$2.14 million; Local: US\$530,000).** Financing will be provided to cover of the program's administrative and oversight expenses, external auditing, and monitoring and evaluation, including the strategic evaluation in coordination with the Department of Strategic Affairs of the Argentine Republic (SAE).

- 1.24 **Main results indicators, benefits, and beneficiaries.** The Results Matrix lists the program's expected outcomes and outputs. Table I-1 shows the main results indicators.

Table I-1 – Key indicators

Outcome indicator	Unit of measure	Baseline ^(a)	Target
Improved households with water services in the program's intervention areas	Households	0	265,509
Program-financed water treatment plants that meet the water quality standard for arsenic, nitrate, and fluoride	%	0	100
Program-financed water systems with physical water loss of 20% or less	%	0	100
Efficiency in ABSA's annual collection	%	72 ^(b)	78

(a) The baseline year is 2022 unless otherwise indicated.

(b) Statistic for 2021.

- 1.25 **Benefits and beneficiaries.** The program interventions are expected to benefit approximately 1.1 million residents (256,509 households) in the Province of Buenos Aires by providing them with access to better quality water service (pressure, consistency, and water quality), which will improve their quality of life, as well as health, productivity, environmental sustainability, and social inclusion. The specific benefits for households with access to better quality water services are increased consumption and cost savings from no longer using alternative sources. The program will also strengthen ABSA and DIPAC by improving their management capacity.

C. Strategic alignment

- 1.26 The program is consistent with the Second Update to the Institutional Strategy (document AB-3190-2) and is aligned with the development challenges of: (i) social inclusion and equality, because it improves the quality of water service in areas with unmet basic needs and low levels of access to quality public utilities; and (ii) productivity and innovation, because it uses new technologies to measure and remotely operate the water systems, as well as to expand and strengthen ABSA's digitalization and georeferenced data systems. It is also aligned with the crosscutting areas of: (i) gender equality, because it promotes the inclusion of gender requirements in bidding documents for contracting companies, which will be paired with technical assistance and trainings³³ for those companies; (ii) diversity, because it promotes technical assistance and trainings to MISP technical teams for the inclusion of persons with disabilities within the institution; (iii) institutional capacity and the rule of law, because it will grow ABSA's capacity, including the application of [AquaRating](#), and the capacities of provincial entities involved in water and sanitation services; and (iv) climate change and environmental sustainability, through actions to improve management and reduce unaccounted-for water, the selection of alternative, low-emission technologies for water treatment that will prevent carbon dioxide emissions, and the incorporation of climate resilience aspects into the design of water infrastructure and an assessment (hydraulic modeling of the aquifers) that enables the creation of an action plan and implementation strategy to protect the aquifers with the goal of ensuring water security in the Province of Buenos Aires. For more information, consult [link 12](#). Approximately 84.41% of the operation's resources are invested in climate change adaptation and mitigation activities, according to the [joint methodology of the multilateral development banks](#). These resources contribute to the IDB Group target of increasing financing for climate-related projects to 30% of approvals in 2022. The operation is consistent with the institutional priorities of Vision 2025: Reinvest in the Americas, specifically in the tier one priorities: (i) reactivate the productive sector by encouraging higher-quality investment and digital connectivity; (ii) promote social progress by improving the quality of public services; and (iii) strengthen good governance and institutions by strengthening ABSA and DIPAC; and (iv) reinforce gender equality, diversity, and climate change.
- 1.27 In addition, the program contributes to the IDB Group Corporate Results Framework 2020-2023 (document GN-2727-12) under the Development Result "Households with improved access to water and sanitation" and is aligned with the Sustainable Infrastructure for Competitive and Inclusive Growth Strategy (document GN-2710-5), particularly the priority area of "Support the construction and maintenance of an environmentally and social sustainable infrastructure to improve quality of life." Lastly, the project is consistent with: (i) the Water and Sanitation Sector Framework Document (document GN-2781-13) under the premise that "projects and programs are environmentally and socially sustainable and incorporate climate change considerations and environmental and cultural sustainability"; (ii) the Climate Change Sector Framework (document GN-2835-8) under the fourth dimension of success: "countries make progress on

³³ This technical assistance and training will be financed by IDB loan [4435/OC-AR](#) in the framework of the Gender Equality Program.

mainstreaming climate progress across sectors”; and (iii) the Gender and Diversity Sector Framework (document GN-2800-8) related to the delivery of quality public services that promote gender equality or empower women, as well as projects that support the social inclusion of persons with disabilities. Lastly, the program contributes to the 2030 Agenda, directly to SDGs 6, 9, 10, 11, 12, and 13, and indirectly to SDGs 1 and 3.

D. Viability assessment

- 1.28 **Representative sample.** To determine the program's viability, a representative sample of projects, in terms of typologies, geographic distribution, and size of localities, was assessed,³⁴ totaling US\$28.9 million, which represents 30.8% of the total program value (see [link 6](#)). These projects meet the eligibility criteria (paragraph 3.5). Additionally, the Province of Buenos Aires has a portfolio of 24 projects, totaling approximately US\$60 million, which may be funded once their feasibility has been verified.
- 1.29 **Technical viability.** An assessment of the sample projects' draft technical documents ([link 6](#)) concluded that they appropriately meet the identified needs; the designs are based on a medium- and long-term vision, they follow widely accepted engineering principles, and the solutions were selected from an analysis of suitable alternatives. The program Operating Regulations detail the technical criteria that must be considered for the rest of the program-financed projects.
- 1.30 **Economic viability.** A cost-benefit analysis and cost-effectiveness analysis were run for the representative sample (paragraph 1.28). The costs and benefits were compared with and without the intervention, as were the investment costs and the operation and maintenance of different alternatives. The results of the evaluations show that the operation is viable, with internal rates of return (IRR) greater than 12% for projects assessed using cost-benefit analysis, or that they are the lowest-cost alternative for projects analyzed using cost-effectiveness. A sensitivity analysis shows that either the IRRs are stable or the chosen alternative continues to be the lowest-cost option, even with changes to key variables ([link 7](#)). For the projects that were not evaluated, an analysis will be run using Bank-accepted evaluation methods, and only socioeconomically viable projects may be financed (paragraph 3.5).
- 1.31 **Payment capacity.** The monthly fee for water and sanitation services is less than 5% of household income for the beneficiary population, taking into account the rates that ABSA charges its users, as well as the subsidized rate charged to vulnerable population groups ([link 7](#)).
- 1.32 **Socioenvironmental viability.** Based on the results of the socioenvironmental studies, determining social viability required estimating the effects of the program's works on the local population to determine direct and indirect impacts and risks. Environmental viability centers on the environmental assessment, while also analyzing how the works safeguard balance in the surrounding environs. The

³⁴ The four projects included in the sample are: (i) the replacement of the Gliptodonte aqueduct - General Pirán; (ii) the refurbishment of the 9 de julio aqueduct - Carlos Casares; (iii) the Marcos Paz arsenic abatement plant; and (iv) the San Vicente arsenic abatement plant.

assessment also studied the environment's potential effects on the works, and how and to what extent the physical-biotic features of the local environs might affect implementation of the program. No projects are planned for protected areas or critical natural habitats, nor will they significantly affect natural resources; they do not impact indigenous territory or places of community interest. The Environmental and Social Management Plan ([ESMP](#)) and the Framework for Environmental and Social Management Framework ([ESMF](#)) include mitigation measures designed to avoid or mitigate potential risks or impacts generated by the program by the emission of contaminants, the treatment of waste or effluents, or possible social or cultural impacts. Program works will also meet local environmental licensing requirements.

- 1.33 **Financial viability.** The Province of Buenos Aires's financial capacity was assessed based on a historical and projected financial analysis. The projected analysis considered two scenarios based on different variables. In both projected scenarios, the Province of Buenos Aires has sufficient borrowing capacity to meet its payment obligations vis-à-vis program principal and interest, inasmuch as the debt and debt service indicators are at reasonable levels in both scenarios. Even though provincial finances may be exposed to macroeconomic effects, the Province of Buenos Aires is a large and diversified economy with a relatively strong revenue from own resources; the Province of Buenos Aires also reduced liquidity pressures by restructuring its debt in 2021 ([link 8](#)). A historical and projected financial analysis was conducted for ABSA, the entity that will operate and maintain the program works. In recent fiscal years, ABSA has covered its operating costs with a combination of fees and regular and transparent support from the Province of Buenos Aires, as reflected in the company's audited financial statements; financial projections indicate that the company could achieve a positive operating margin in the medium term ([link 9](#)). Resources from Component 2 of the program will be used to finance activities that improve ABSA's operational and financial management, including priority activities deriving from the AquaRating tool and the corresponding ABSA improvement plan, which will help support its financial autonomy.
- 1.34 **Institutional viability.** The executing agency's institutional capacity was evaluated using the Institutional Capacity Assessment System (ICAS). The results point to a satisfactory confirmation of the MISP's performance conditions³⁵ and recommend some measures to close the gaps, mainly hiring human resources to draw up technical and procurement documents, the formation of evaluation commissions, and the program's financial management. The ICAS incorporates the assessment of the Provincial Office of Multilateral Organizations and Bilateral Financing's (DPOMyFB) management capacity as it relates to its role as co-executor for minor contracts tied to the program's financial administration and auditing.

³⁵ The proposed execution mechanism for this operation continues the same line of work implemented by the MISP through the UCEPO and with technical support from DIPAC and ABSA in [various loans](#) with the IDB (3256/OC-AR, 4427/OC-AR, and 4435/OC-AR), as well as with the Development Bank of Latin America (CAF) and the World Bank.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 **Modality and financing structure.** This operation is structured as a multiple works program because it finances projects that are physically similar, yet separate from one another such that the Bank cannot managed them individually. The disbursement period is five years, which takes into account execution challenges, the project cycle and experience with previous operations, and is consistent with the project execution plan ([link 1](#)). The timeline to start the anticipated works is two years before the end of the original disbursement period and any extensions, as the works to be financed will take between 18 and 24 months on average to execute.
- 2.2 **Cost and financing.** The total cost of the program is US\$93.75 million, financed with a loan up to US\$75 million from the Bank's Ordinary Capital and a local counterpart contribution of US\$18.75 million. The consolidated budget is shown in Table II-1.

Table II-1 – Program cost (US\$)

Categories	Bank	Local	Total	Total (%)
Component 1. Infrastructure works and inspections ³⁶	65,958,000	16,490,000	82,448,000	87.94
<i>Distribution systems</i>	16,917,000	4,229,000	21,146,000	22.56
<i>Water treatment plants</i>	46,947,000	11,737,000	58,684,000	62.60
<i>Inspections</i>	2,094,000	524,000	2,618,000	2.79
Component 2. Strengthening of management for the provision of water and sanitation services	6,906,000	1,726,000	8,632,000	9.21
Administration, evaluation, and management	2,136,000	534,000	2,670,000	2.85
Total	75,000,000	18,750,000	93,750,000	100.00

- 2.3 **Restricted disbursement schedule.** In accordance with document AB-2990, the pace of disbursement by the IDB of the loan proceeds drawn against the IDB's Ordinary Capital will be subject to the following restrictions: (i) a maximum of 15% in the first 12 months; (ii) a maximum of 30% in the first 24 months; and (iii) a maximum of 50% in the first 36 months, counted in all instances from the date on which the loan operation is approved by the Board of Executive Directors. These restrictions may not apply if the requirements established in the relevant Bank policy have been met, provided that the borrower has been notified in writing. Each period will be calculated from the date of the Loan's approval by the Board. These restrictions have been reflected in the disbursement schedule presented in Table II-2 ([link 1](#)).

³⁶ The costs by typology of work are indicative.

Table II-2 – Disbursement schedule (US\$ millions)

Source/year	1	2	3	4	5	Total
IDB	8,628	12,119	16,734	23,897	13,622	75,000
%	11.50%	27.66%	49.98%	81.84%	100.00%	100.00%
Local contribution	2,143	3,034	4,185	5,973	3,415	18,750
%	11.43%	27.61%	49.93%	81.78%	100.00%	100.00%
Total	10,771	15,152	20,919	29,870	17,037	93,75
% Cumulative	11.49%	27.65%	49.97%	81.83%	100.00%	100.00%

B. Environmental and social risks

- 2.4 Based on the Bank's Environmental and Social Policy Framework (ESPF) and existing data, the program has been classified as a category “B” operation because the planned works to optimize, expand, and upgrade water systems may cause localized, short-term negative environmental and social impacts that can be managed using standard mitigation measures for these kinds of infrastructure and activities. These impacts may include air pollution, noise, solid and liquid waste, possible contamination of bodies of water, the risk of work and road accidents, and temporary impacts on nearby roads and residents due to trenching and installation. There are applicable mitigation measures for these, mainly during the construction/equipment installation phase. Because this is multiple works program, an assessment was made using representative sample of projects to be financed, including projects related to the treatment, storage, and distribution of water in four locations that meet the operation's eligibility criteria (paragraph 3.5).
- 2.5 Each project from the sample has an Environmental and Social Impact Study ([EIAS](#)) and Environmental and Social Management Plan (ESMP) as required by the Environmental and Social Policy Framework (ESPF) and the Environmental and Social Performance Standards (ESPS), including COVID-19 protocols for the execution and operation of works. The process confirmed that the anticipated interventions and potential impacts can be mitigated using standard measures and good socioenvironmental practices, including the appropriate handling of hazardous materials. An [ESMP](#) was drawn up to determine specific control and management measures that must be considered during the planning and execution stages of expected future program investments. A Stakeholder Framework and a Meaningful Consultation Plan were drafted, taking into consideration culturally appropriate mechanisms and the progress of management plans and studies based on ESPSs 1, 2, 3, 4, 5, 6, 7, 8 and 10. A Disaster Risk Management Plan was also prepared. Based on the nature of the interventions, the disaster risk scenario is moderate and is mainly related to flood risks.
- 2.6 Meaningful consultations took place virtually on 13 June 2022. The procedure began with advance distribution (through social media, five government websites, and 14 media channels) of the Consultation Document, prepared by DIPAC, along with the [EIAS](#) for the works, a PowerPoint presentation highlighting the most significant technical and socioenvironmental aspects and the Environmental and Social Policy Framework. Civil organizations, institutions, and communities affected by the program were invited. Consultations were received on water quality, specifics about the works, and estimated start and completion dates. It was

communicated at the time that consultation channels and the grievance mechanism would be available from startup to completion of the works.

- 2.7 The program will not cause physical or economic displacement to residents or affect critical natural habitats. These are just some of the program's exclusion criteria. Because the sample does not include works in indigenous territory or within critical cultural sites, these are also exclusion criteria.

C. Fiduciary risks

- 2.8 During program preparation, a medium-high fiduciary risk was identified in relation to bottlenecks in the preparation of bidding documents and evaluation reports that could delay the start of consultations and works, which would affect the execution timeline. This presents a medium-high fiduciary risk. This risk has the following mitigation actions: (i) resources will be provided to help the MISP team prepare documents related to the preinvestment studies (paragraph 1.17) and bid evaluations; (ii) the program's bid evaluation commissions will receive training; and (iii) the new standard bidding and evaluation models agreed upon with the Bank will be used for all bidding processes. The fiduciary team will continue to identify and manage risks throughout the operation.

D. Other key issues and risks

- 2.9 There are two other medium-high key issues and risks: (i) economic and financial: inflation may outpace local currency depreciation during program implementation, raising the cost in dollars of the projects. This risk will be addressed using an active acceptance strategy, adjusting the scope of each planned program intervention; and (ii) sustainability: if the works are not properly operated and maintained due to insufficient allocation of human and/or financial resources, it could affect whether the objectives are achieved. The framework agreement between the MISP and ABSA will include a commitment by ABSA to appropriately operate and maintain the program-financed infrastructure, as well as a sub-execution agreement for anticipated Component 2 activities aimed at investment sustainability (paragraph 1.17).

III. MECHANISM FOR EXECUTION AND RESULTS MONITORING AND EVALUATION

A. Execution mechanism

- 3.1 **Guarantor, borrower, and executing agency.** The guarantor for the loan will be the Argentine Republic, and the borrower will be the Province of Buenos Aires. The executing agency for the program will be the borrower, acting through the Ministry of Infrastructure and Public Services (MISP) of the Province of Buenos Aires, through its Infrastructure Planning and Evaluation Division (SSPyEI).
- 3.2 The SSPyEI will coordinate technical issues with DIPAC and ABSA, the latter of which will be responsible for operation and maintenance of the works to be financed. ABSA will also act as the sub-executing agency for Component 2 activities related to strengthening its management.

- 3.3 The financial management of program resources will be handled by the Finance Division of the Ministry of Treasury and Finance of the Province of Buenos Aires, through the Provincial Office of Multilateral Organizations and Bilateral Financing (DPOMyFB), which will also act as the co-executor for the contracting and execution of activities associated with the financial administration, monitoring, and auditing of the program, in coordination with the SSPyEI. The strategic evaluation of the program will be conducted by the executing agency in coordination with the Department of Strategic Affairs (SAE).
- 3.4 **Program Operating Regulations.** The program will be governed by the provisions of Operating Regulations for the program ([link 4](#)), which will include at minimum: (i) a judicial-institutional framework; (ii) a detailed execution framework; (iii) project cycle; (iv) criteria for eligibility and prioritization; (v) the roles and responsibilities of the executing agency, co-executor, sub-executor, and other participating entities; (vi) the mechanism for coordination and information flow between the executing agency, co-executor, sub-executor, and other participating entities; (vii) guidelines for project development; (viii) fiduciary standards and procedures; (ix) monitoring and evaluation procedures; and (x) socioenvironmental management procedures, which will include, as annexes, the environmental management system, the [ESMF](#) (including the meaningful consultations and communications plan) and Environmental and Social Action Plan.
- 3.5 **Eligibility criteria and prioritization.** The following eligibility criteria will apply: (i) localities in the Province of Buenos Aires that fall under ABSA's concession area; (ii) projects to improve and/or expand water services; (iii) projects that are economically (cost-benefit analysis with IRR>12% or cost-effectiveness analysis with the lowest-cost alternative) (paragraph 1.30), socioenvironmentally, technically, legally, financially, and institutionally viable, following Bank-accepted evaluation methodologies and criteria; (iv) projects with an "A" classification under the Bank's ESPF will not be eligible; and (v) must meet the exclusion requirements in the [ESMF](#). Projects will be given priority based on the criticality of the water infrastructure (water quality, loss percentage, age, etc.) operated by ABSA. The program Operating Regulations include these criteria in greater detail ([link 4](#)).
- 3.6 **Project cycle.** The project cycle for Component 1 will have four stages: (i) identification: in this phase, ABSA will present DIPAC with the need for a project, attaching a criticality analysis of the relevant water system and the documentation that shows its partial eligibility (with the concession area and legal availability of plots); (ii) preparation and eligibility: in this phase, DIPAC and ABSA agree on the scope and execution stages of the project, and the necessary preinvestment studies are carried out to fulfill the remaining eligibility criteria and start the tender process; (iii) execution: in this phase, the contracting, execution, and payment for works will be carried out. DIPAC, with ABSA's help, will inspect construction of the works; and (iv) transfer and operation: in this phase, the MISP and ABSA agree on the delivery of assets for operation and maintenance and sign a transfer and operation agreement. The program Operating Regulations describe each of these phases in detail.
- 3.7 **Agreements.** The MISP and ABSA are expected to sign the following agreements under the terms and conditions previously agreed upon with the Bank: (i) a framework agreement, which outlines the coordination mechanism, the

responsibilities of each party, ABSA's commitment to design a technical counterpart team, the conditions for the transfer of the works and the commitments to its operation and management; (ii) a transfer and operation agreement for the receipt of each work financed by program Component 1, where ABSA accepts receipt of the work and begins operations; and (iii) a sub-execution agreement, which details the commitments related to the transfer, use, and accountability for resources for Component 2 activities associated with strengthening ABSA's management, as well as ABSA's commitment to use resources and execute activities in compliance with the loan contract and the program Operating Regulations.

- 3.8 **Special contractual conditions precedent to the first disbursement of the loan:** (i) the signing and entry into force of a framework agreement between the MISP and ABSA under terms and conditions previously agreed upon with the Bank as mentioned in paragraph 3.7(i); and (ii) the approval of the program Operating Regulations pursuant to a resolution adopted by the MISP, under terms and conditions previously agreed upon with the Bank. These conditions are considered essential to ensure proper program execution and coordination and to lay out the detailed guidelines about operational issues.
- 3.9 **Special contractual conditions of execution:** (i) upon the transfer to ABSA of each work built with resources from Component 1 of the program, a transfer and operation agreement between the executing agency and ABSA will be signed and enter into force, as mentioned in paragraph 3.7 (ii); and (ii) prior to the start of activities under Component 2 of the program to strengthen management at ABSA: (a) recommendations arising from the institutional capacity assessment of ABSA, in accordance with Bank instruments, will be agreed upon, to the Bank's satisfaction; and (b) evidence will be presented documenting the signing and entry into force of a sub-execution agreement between the executing agency and ABSA to transfer resources and execute said activities, as mentioned in paragraph 3.7 (iii), under terms and conditions previously agreed upon with the Bank. These conditions are required to ensure that ABSA's roles and responsibilities are stipulated, including its operation and maintenance obligations for the works and the coordination arrangements.
- 3.10 **Procurement.** Procurements financed in whole or in part with proceeds from the loan will be carried out under the Policies for the Procurement of Goods and Works financed by the Inter-American Development Bank (document GN-2349-15) and Policies for the Selection and Contracting of Consultants financed by the Inter-American Development Bank (document GN-2350-15). All procurements should be included according to the project execution plan ([link 1](#)). Direct contracting and retroactive financing are not anticipated.
- 3.11 **Disbursements.** Disbursements will principally be made through advance of funds, or another modality established in the guidelines set out in OP-273-12. Advances of funds will be made in accordance with a financial plan that covers the project's real liquidity needs for up to 180 days or another timeline under OP-273-12. Excepting the first advance of funds, subsequent transfers will be made when at least 65% of the accumulated balance has been accounted for, as the program involves a flow of funds between several institutions (OP-273-12 Permanent Adjustment). The

executing agency will use an exclusive bank account to make peso conversions to the Province of Buenos Aires's General Treasury Common Fund.

- 3.12 **Auditing.** The executing agency will provide the Bank with the program's annual audited financial statements within 120 days following the close of the fiscal year. The audit must be conducted by a Bank-eligible independent auditing firm or by the Province of Buenos Aires's Court of Audit, as long as it maintains its eligibility to audit financial statements for the Bank. The scope and other related aspects will be governed by OP-273-12 or the guidelines in effect during execution.
- 3.13 **Operation and maintenance.** The borrower, through the executing agency, is committed to including the following ABSA obligations in the transfer and operation agreement (paragraph 3.7): (i) conduct proper operation and maintenance for program works and equipment using generally accepted technical standards and allocating the necessary resources for that purpose; (ii) provide the executing agency with a status report, for subsequent presentation to the Bank, on program-financed works and equipment that includes information on the operation and maintenance process. The borrower, through the executing agency, will present this report to the Bank in the first quarter of each year, starting the year when the first program work is completed, and up to three years following the termination date of the original disbursement period and any extensions. If Bank inspections, or the reports it receives, reveal that maintenance is not meeting agreed upon standards, the borrower, through the executing agency, may take the necessary steps to totally correct the shortfalls.

B. Results monitoring and evaluation mechanism

- 3.14 **Monitoring.** A monitoring and evaluation plan was agreed upon for the program ([link 3](#)) that establishes a procurement plan, a program execution plan, annual work plan, and a fiduciary plan that should be developed, based on the program execution plan ([link 1](#)), during start-up and continue throughout the execution period, in the cycles subsequent to planning. The same should happen with the results matrix and the project monitoring report. The executing agency will send semiannual reports ([link 5](#)) to describe progress achieved, results attained, and an action plan for the following six months, within 60 days following the end of each six-month period.
- 3.15 **Evaluation.** Midterm and final evaluations are planned. Evaluations will take place before and after and will consist in comparing the baseline values of the program's results indicators with the values achieved after the interventions are implemented. An ex post economic evaluation will be conducted to compare the final costs of investments and operation and maintenance with the program benefits.
- 3.16 Following guidelines from the national government, and as a supplement to program evaluations, the executing agency, in coordination with the Department of Strategic Affairs (SAE), will conduct a comprehensive evaluation with the objective of generating strategic data on the effect of the financing on the operational and financial sustainability of the capacity installed by the program, which will be used to improve implementation and supplement the program's monitoring and evaluation tools ([link 3](#)).

Development Effectiveness Matrix		
Summary		AR-L1345
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
1. The Strategic Alignment tab in convergence shows alignment on IDB Group Strategic Priorities. The Results Matrix tab lists flagged CRF indicators		
2. The Strategic Alignment tab in convergence shows information on alignment to Country Development Objectives		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		10.0
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		4.0
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		2.5
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		9.5
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		5.5
III. Risks & Mitigation Monitoring Matrix		
6. Overall risks rate = magnitude of risks*likelihood		Medium Low
The Environmental and Social Data tab in convergence shows the environmental and social risk classification of the project		
IV. IDB's Role - Additionality		
Annex III Fiduciary Arrangements describes project reliance on the use of country systems (VPC/FMP Criteria)		
7. Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		

Evaluability Assessment Note: The objective of this project is to contribute to improving the quality of life of the population living in the Province of Buenos Aires through the provision of drinking water services (AP). It will be financed through a Multiple Works Program with US\$75,000,000 of Ordinary Capital and US\$18,750,000 of local contribution with which it is proposed to finance interventions that improve water quality and operational efficiency. The specific objectives are: (1) to improve the quality and operational capacity of AP services, and (2) to improve the management of Aguas Bonaerenses S.A. and of the provincial entities linked to the water and sanitation service.

The diagnosis is adequate and well documented by evidence, highlighting the causes of low water quality, especially in urban locations with fewer than 100,000 inhabitants. This is due to a lack of prioritization and planning of investments in the sector, low management capacity that is observed in problems of efficiency and effectiveness of investments, and the need to incorporate additional water treatment processes to comply with the corresponding regulations. The results matrix is consistent with the vertical logic of the operation and presents reasonable, well-specified and adequate results indicators to measure the achievement of the specific objectives. An analysis of cost-benefit and cost-effectiveness of the representative sample of projects was carried out, having an Internal Rate of Return greater than 12%. The evaluation plan contemplates answering the question of the causal effect of the program on the results indicators. The project has identified the risks and appropriate and monitorable mitigation or escalation measures have been proposed.

RESULTS MATRIX

Project objectives:	The specific objectives of this operation are: (i) to improve the quality and operating capacity of water services; and (ii) to improve management at Aguas Bonarenses S.A. (ABSA) and the provincial entities involved in water and sanitation services. Achieving these objectives will contribute to the program's general objective of helping improve quality of life for the residents of the Province of Buenos Aires (PBA) through the provision of water services.
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SPECIFIC DEVELOPMENT OBJECTIVES

Indicators	Unit of measure	Baseline		Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Notes ¹
		Value	Year								
Specific development objective 1: To improve the quality and operating capacity of water services											
R.1.1 Households improved with water services in the program's areas of intervention	Households	0	2022					265,509	265,509	ABSA reports	Corporate Results Framework indicator Equivalence of 1 account = 1 household based on the ABSA cadastral system Households with improved water service means those households receiving safe drinking water that meets all quality parameters required by prevailing standards after the intervention.
R.1.2 Program-financed water treatments plants that meet water quality standards for arsenic, nitrate, and fluoride	%	0	2022					100	100	ABSA reports	The denominator will be the total number of plants financed by the program, and the numerator the number of plants that meet the national code or local standards (Law 11820) for water quality. Specifically, three parameters will be monitored that are generally a more common problem in the area: Arsenic ≥ 0.01 mg/l Nitrates ≥ 50 mg/l Fluoride ≥ 1.50 mg/l

¹ See monitoring and evaluation plan for additional notes by indicator.

Indicators	Unit of measure	Baseline		Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Notes ¹
		Value	Year								
R.1.3 Program-financed water systems with physical water losses of 20% or less	%	0	2022					100	100	ABSA report	The number of systems with losses less than 20% over the number of systems with program-financed repairs. Physical losses will be determined by comparing volume at the end of the piping with volume at the beginning.
Specific development objective 2: To improve management at ABSA and the provincial entities involved in water and sanitation services											
R.2.1 Efficiency of ABSA's annual revenue collection	%	72	2021					78	78	ABSA's audited annual financial statements	This will be calculated as amount collected annually over amount billed annually.
R.2.2 Number of water quality analyses using parameters for fluoride, nitrate, and arsenic conducted annually in improved laboratories	Analysis	211,004	2021					226,139	226,139	ABSA reports	The analyses will be conducted based on the sampling plan approved by the Water Authority.
R.2.3 Water and sanitation projects developed by DIPAC that follow the recommendations of the water and sewer master plans created by the program and include climate change considerations	Project	0	2022					9	9	DIPAC report	These projects are not financed by this operation. The master plans will determine the technical criteria (economic, social, environmental, water-climate vulnerability, engineering, etc.) for prioritizing projects.

OUTPUTS

Outputs	Associated outcomes	Unit of measure	Baseline		Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Notes
			Value	Year								
Component 1: Infrastructure works and inspections												
P.1.1 Water systems upgraded	R.1.3	Systems	0	2022			2		2	4	Contractor reports	
P.1.2 Water treatment plants upgraded	R.1.1, R.1.2	Plants	0	2022				7	3	10		
P.1.3 Water treatment plants built	R.1.1, R.1.2	Plants	0	2022			2	8	4	14		
P.1.4 Tenders for program-financed works that incorporate gender requirements	R.1.1, R.1.2, R.1.3	Tenders	0	2022	4	12	12	0	0	28	UCEPO reports	This represents 100% of program tenders. For examples of gender requirements to include, see paragraph 1.13 of the POD.
Component 2: Strengthening of management for the provision of water and sanitation services												
P.2.1 Final designs prepared	R.1.1, R.1.2, R.1.3	Design	0	2022		12	12			24	Progress reports and final reports approved by DIPAC	These studies will include climate change considerations and will prioritize alternative technologies that emit less carbon dioxide.
P.2.2 Master plans for water and sewer systems in PBA localities that include climate change considerations	R.2.3	Plan	0	2022			3			3		The plans will include a section specifically for climate change.
P.2.3 Hydrogeological study in the PBA that includes climate change criteria	R.2.3	Study	0	2022			1			1		
P.2.4 Equipment for operation and maintenance of program-financed works, procured	R.1.1, R.1.2, R.1.3	Equipment	0	2022	942	4				946	ABSA reports	

Outputs	Associated outcomes	Unit of measure	Baseline		Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Notes
			Value	Year								
<i>Equipment for operation and maintenance, procured</i>		<i>Equipment</i>	0	2022	900					900		
<i>Equipment for operational management, procured</i>		<i>Equipment</i>	0	2022	20					20		
<i>Offices upgraded</i>		<i>Offices</i>	0	2022	22	4				26		
P.2.5 Operational management projects developed by ABSA	R.1.1		0	2022	18					18	ABSA reports	
<i>Hydrogeological studies</i>		<i>Studies</i>	0	2022	13					13		
<i>Projects to improve and expand the system</i>		<i>Project</i>	0	2022	5					5		
P.2.6 Technological modernization plan for ABSA designed and implemented	R.2.1	Plan	0	2022		1				1		
<i>Modernization plan designed</i>		<i>Plan</i>	0	2022	1					1		
<i>Corporate image updated</i>		<i>Branch / Support center</i>	0	2022	74					74		
<i>Systems strengthened</i>		<i>Equipment</i>	0	2022	509					509		
<i>Payroll system digitalized</i>		<i>System</i>	0	2022	1					1		
P.2.7 ABSA water quality laboratories outfitted	R.2.2	Laboratory	0	2022	0	2	0	0	0	2	ABSA reports	At minimum, this should include chromatographs, turbidimeters, and the related equipment needed for their operation, as determined by ABSA, to get through the summer season with optimum operational functionality.

Outputs	Associated outcomes	Unit of measure	Baseline		Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Notes
			Value	Year								
P.2.8 Actions from the ABSA improvement plan, prioritized based on AquaRating, implemented	R.2.1	Action	0	2022	0	0	0	1	1	2		Actions that improve ABSA's revenue collection will be prioritized.
P.2.9 Number of MISP staff who participate in trainings with a disability perspective	R.1.1, R.1.2, R.1.3	Number	0	2022	100	100	100	100	100	500	UCEPO report	These trainings will be given by the National Disability Agency (ANDIS) and coordinated by the specialist on persons with disabilities.

Country: Argentina **Division:** WSA **Operation No:** AR-L1345 **Year:** 05/06/2022

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: The borrower, acting through the Ministry of Infrastructure and Public Services (MISP), through its Infrastructure Planning and Evaluation Division (SSPyEI).

Name of Operation: Program to Improve Water Services in the Province of Buenos Aires

I. Fiduciary Context of the Executing Agency

1. Use of country systems in the operation (any system or subsystem that is subsequently approved may be applicable to the operation, in accordance with the terms of its validation by the Bank).

<input checked="" type="checkbox"/> Budget	<input checked="" type="checkbox"/> Reports	<input checked="" type="checkbox"/> Information system	<input type="checkbox"/> National competitive bidding (NCB)
<input checked="" type="checkbox"/> Treasury	<input checked="" type="checkbox"/> Internal audit	<input type="checkbox"/> Shopping	<input type="checkbox"/> Other
<input checked="" type="checkbox"/> Accounting	<input checked="" type="checkbox"/> External control	<input type="checkbox"/> Individual consultants	<input type="checkbox"/> Other

2. Fiduciary execution mechanism

<input checked="" type="checkbox"/>	Co-executors/sub-executors	The Provincial Office of Multilateral Organizations and Bilateral Financing (DPOMyFB), which reports to the Finance Division of the Ministry of Treasury and Finance of the Province of Buenos Aires (PBA), will act as program co-executor, contracting and executing the specific activities related to the program's financial administration and auditing, while Aguas Bonaerenses S.A. (ABSA) will act as the sub-executor for Component 2 activities related to the strengthening of its management.
<input checked="" type="checkbox"/>	Fiduciary execution	The guarantor for the loan will be the Argentine Republic, and the borrower will be the Province of Buenos Aires. The executing agency for the program will be the borrower, acting through the Ministry of Infrastructure and Public Services (MISP), through its Infrastructure Planning and Evaluation Division (SSPyEI). The executing agency will coordinate technical matters with DIPAC, part of the MISP Water Resources Division, and with ABSA, the latter of which will be responsible for operation and maintenance of the works to be financed. The financial management of program resources will be handled by the Province of Buenos Aires, through the Provincial Office of Multilateral Organizations and Bilateral Financing (DPOMyFB), which will also act as the co-executor for the contracting and execution of activities associated with the financial administration, monitoring, and auditing of the program, in coordination with the SSPyEI.

3. Fiduciary capacity

Fiduciary capacity of the executing agency	An institutional capacity assessment was conducted of the executing agency. It was confirmed that the MISP's institutional capacity has a satisfactory degree of development for program execution. The ICAS incorporates an assessment of the institutional capacity of the DPOMyFB with respect to its role as co-executor for minor contracts related to the program's financial administration and auditing. In order to close any gaps that are identified, measures such as the following will be taken: (i) include a flowchart in the program Operating Regulations that establishes coordination between the executing agency, the co-executing agency, and the subexecuting agency, as well as the response times for priority activities in the project cycle; (ii) strengthen the MISP teams to prepare preinvestment studies and bid evaluations; (iii) coordinate with technical areas to get up-to-date information for consideration during budgeting for every planning and financial exercise; (iv) standardize the bid model for minor works (national competitive bidding and price comparison) with their respective evaluations during the life of the program; and (v) conduct a simplified institutional capacity assessment for ABSA in its role as the subexecuting agency. The executing agency has the capacity to take these actions in the short term. The program Operating Regulations describe the specific technical and operating regulations, coordinating bodies, flow of information, and fiduciary standards and procedures.
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4. Fiduciary risks and risk response

Risk taxonomy	Risk	Level of risk	Risk response
Internal processes	If bottlenecks form in the process of preparing the projects and evaluation reports, it could create delays in the launch of the consulting assignments and works, which would affect the execution timeline.	Medium-high	To mitigate this risk: (i) resources will be allocated to help the MISP teams prepare documents for the preinvestment studies and bid evaluations; (ii) trainings will be held for the program's evaluating commissions; and (iii) the new standard bidding and evaluation models agreed upon with the Bank will be used for all bidding processes.

5. Applicable policies and guidelines: The program's financial management will be governed by the Policies for Financial Management for Projects Financed by the IDB (OP-273-12). Documents GN-2349-15, GN-2350-15, and GN-2538-35 will apply to procurements.

6. Exceptions to policies and guidelines Not applicable.

II. CONSIDERATIONS FOR THE SPECIAL CONDITIONS OF THE LOAN CONTRACT

Special conditions precedent to the first disbursement: N/A
Exchange rate: For purposes of the Article 4.10 of the General Conditions of the loan contract, the parties agree that the exchange rate will be the rate indicated in subparagraph (b)(i) of the Article. To determine the equivalence of expenditures incurred in local currency that are chargeable to the local contribution or reimbursable against the loan, the agreed-upon exchange rate will be the prevailing rate on the first business day of the month in which the borrower, executing agency, or other natural or legal person with the authority to incur expenses, makes the respective payment to the contractor, provider, or beneficiary.
The program's audited annual financial statements will be presented to the Bank a period of no more than 120 days after the close of the executing agency's fiscal year and will be duly issued by an independent auditing firm acceptable to the Bank. Final audited financial statements will be presented within 120 days following the date of the final program disbursement.

III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

<input checked="" type="checkbox"/>	Bidding documents	For works, goods, and nonconsulting services procured according to the procurement policies (document GN-2349-15) and subject to international competitive bidding, the Bank's standard bidding documents or those agreed to by the Bank and the executing agency for the specific procurement will be used. For national competitive bidding and price comparison of works, goods, and nonconsulting services, the Bank's standard models in Argentina along with their corresponding standard evaluation report models will be used. Selection and procurement of consulting services will likewise be done according to the Policies for the Selection of Consultants (document GN-2350-15) and use the Bank's standard request for proposals or those agreed to by the Bank and the executing agency for the specific selection. The project sector specialist is responsible for reviewing the technical specifications and the terms of reference for procurement during preparation of the selection process. This technical review may be performed ex ante and is independent of the procurement review method.
<input checked="" type="checkbox"/>	Recurrent expenses	The recurrent expenses required to implement the project approved by the Project Team Leader will be handled according to the executing agency's administrative procedures. These procedures will be reviewed and accepted by the Bank provided that they do not violate the principles of economy, efficiency, and competition (document GN-2331-5).

<input checked="" type="checkbox"/>	Procurement supervision	<p>The supervision method will be ex post, except in those cases where ex ante supervision is justified and indicated in the procurement plan. Ex post reviews will take place each year in keeping with the project's supervision plan, subject to change during project execution. Ex post review reports will include at least one physical inspection, selected from the procurement processes subject to ex post review. The thresholds for ex post review are listed below:</p> <table><tr><td>Executing agency</td><td>Works</td><td>Goods/Services</td><td>Consulting services</td></tr><tr><td>Executing agency - MISP and Ministry of Treasury and Finance</td><td>MISP US\$5,000,000; Ministry of Treasury and Finance N/A</td><td>MISP US\$500,000; Ministry of Treasury and Finance US\$100,000</td><td>MISP US\$200,000/50,000 Independent firms Ministry of Treasury and Finance US\$0/US\$50,000</td></tr></table>	Executing agency	Works	Goods/Services	Consulting services	Executing agency - MISP and Ministry of Treasury and Finance	MISP US\$5,000,000; Ministry of Treasury and Finance N/A	MISP US\$500,000; Ministry of Treasury and Finance US\$100,000	MISP US\$200,000/50,000 Independent firms Ministry of Treasury and Finance US\$0/US\$50,000
Executing agency	Works	Goods/Services	Consulting services							
Executing agency - MISP and Ministry of Treasury and Finance	MISP US\$5,000,000; Ministry of Treasury and Finance N/A	MISP US\$500,000; Ministry of Treasury and Finance US\$100,000	MISP US\$200,000/50,000 Independent firms Ministry of Treasury and Finance US\$0/US\$50,000							
<input checked="" type="checkbox"/>	Records and files	<p>The executing agency and co-executing agency will maintain records and supporting documentation on procurement processes, calls for proposals, investments, and vouchers for payments made with project resources. In addition to physical records, they will maintain digital records for the same purposes and for Bank supervision, fulfilling the requirements included in the program Operating Regulations for that purpose.</p>								

Main procurements

Procurement description	Selection method	New procedures/tools	Estimated date	Estimated amount (US\$000)
Goods				
ABSA's water quality laboratory equipment	NCB		1/12/2022	580
Works				
Arsenic abatement plant in Marcos Paz	NCB		10/2/2023	7,522
Replacement of Gliptodonte aqueduct - General Pirán	NCB		8/10/2023	2,312
Refurbishment of 9 de julio aqueduct - Carlos Casares	NCB		8/10/2023	15,496
Nonconsulting services				
Strengthening of digitalization, geographic information system, and data security systems	NCB		1/12/2022	379

Procurement description	Selection method	New procedures/tools	Estimated date	Estimated amount (US\$000)
Consulting firms				
Final designs	Quality- and cost-based selection		1/12/2022	404
Individual consultants				
Technical, environmental, and social inspection of the arsenic abatement plant in Marcos Paz	Selection of individual consultant (3CV)		8/10/2023	241

To view the procurement plan, click the following [link](#).

Procedures	Justification of use
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Other relevant information for the operation: N/A

IV. AGREEMENTS AND REQUIREMENTS FOR FINANCIAL MANAGEMENT

<input checked="" type="checkbox"/>	Programming and budget	The executing agency and the DPOMyFB are responsible for formulating and programming the annual budget and carrying out all procedures required to ready the annual budget for approval. As the need arises to expand or reassign resources, the execution unit will request the changes and steer them to approval. Budgetary appropriations are made through quarterly commitment quotas and monthly accrual quotas, which are allocated by the PBA's Ministry for Treasury and Finance.
<input checked="" type="checkbox"/>	Cash flow and disbursements	<p>The DPOMyFB will manage and control dollar-denominated and local-currency bank accounts for the exclusive and separate management of the loan proceeds, as well as bank reconciliation thereof. Payments will be made through the General Treasury of the Province (TGP).</p> <p>Disbursements will be processed based on a detailed financial plan in line with the program's real liquidity needs.</p> <p>The Bank will disburse resources under the advance-of-funds modality or any other modality established in OP-273-12. Advances of funds will be made on the basis of a financial plan generated for the next six months or another reasonable period, as long as payments are duly completed and documented. Excepting the first advance of funds, subsequent advances may only be made when at least 65% of the cumulative balance has been accounted for. This percentage is based on experience with operations in the PBA. The flow of funds involves several institutions, which considerably delays the receiving process (Permanent adjustment).</p>

<input checked="" type="checkbox"/>	Accounting, information systems, and reporting	The external loan execution unit (UEPEX) will be used as the financial administration system, which helps identify the program funds as well as the source of financing. The UEPEX system classifies program investments by expenditure matrix category in accordance with the chart of accounts approved by the Bank. Accounting records will be cash-based and will observe the International Financial Reporting Standards when applicable, in accordance with national criteria.
<input checked="" type="checkbox"/>	Internal audit and internal auditing	The Provincial Accounts Office handles internal control tasks related to the legal and financial aspects of loan execution. It intervenes in execution and payment processes before centralized payments are made from the General Treasury of the Province. For procurements, the Provincial Accounts Office also intervenes prior to allocations or purchases to verify legal aspects.
<input checked="" type="checkbox"/>	External oversight and financial reports	The Honorable Court of Audit of the PBA was declared eligible by the Bank to audit operations with IDB financing. Provided that it remains eligible, the Court of Audit will perform the operation's external audits without a competitive hiring process. This will be financed using local resources. If the PBA Court of Audit does not do the external audit, an independent auditing firm acceptable to the Bank should be hired based on the terms of reference and the model contract previously agreed upon with the Bank.
<input checked="" type="checkbox"/>	Financial supervision of the operation	The financial supervision plan will be based on the fiduciary capacity and risk evaluations and will consider the onsite supervision visits and "desk" reviews, as well as the analysis and monitoring of the results and recommendations from auditors to the program's annual financial reports.

Other relevant information for the operation: N/A

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/22

Argentina. Loan ____/OC-AR to the Province of Buenos Aires. Program to
Improve Water Services in the Province of Buenos Aires

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Province of Buenos Aires, as borrower, and with the Argentine Republic, as guarantor, for the purpose of granting the former a financing to cooperate in the execution of the Program to Improve Water Services in the Province of Buenos Aires. Such financing will be for an amount of up to US\$75,000,000 from the resources of the Bank's Ordinary Capital and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ____ 2022)