

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

ARGENTINA

**CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP):
PROGRAM TO BUILD CAPACITY AND IMPROVE SAFETY
ON THE CRISTO REDENTOR SYSTEM CORRIDOR**

(AR-O0006)

**FIRST OPERATION OF THE PROGRAM TO BUILD CAPACITY AND IMPROVE
SAFETY ON THE ACCESSES TO THE CRISTO REDENTOR BORDER CROSSING**

(AR-L1279)

LOAN PROPOSAL

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ABBREVIATIONS

AADT	Annual average daily traffic
CCLIP	Conditional Credit Line for Investment Projects
CGAF	Coordinación General de Administración y Finanzas [Administration and Finance Coordination Office]
COSIPLAN	Consejo Suramericano de Infraestructura y Planeamiento [South American Council of Infrastructure and Planning]
CRBC	Cristo Redentor border crossing
CRSC	Corredor Sistema Cristo Redentor [Cristo Redentor System Corridor]
DGAF	Dirección General de Administración y Finanzas [Bureau of Administration and Finance]
DNV	Dirección Nacional de Vialidad [Argentine Highway Administration]
EIA	Environmental impact assessment
EIRR	Economic internal rate of return
HDM-4	Highway Development and Management Model, Version 4
ICAS	Institutional Capacity Assessment System
ICB	International competitive bidding
IIRSA	Iniciativa de Integración Regional de Suramérica [Initiative for the Integration of South American Regional Infrastructure]
MERCOSUR	Southern Common Market
N/A	Not available
NCB	National competitive bidding
NPV	Net present value
PCU	Program coordination unit
QCBS	Quality- and cost-based selection
SCPP	Subgerencia de Coordinación de Programas y Proyectos BID [IDB Programs and Projects Coordination Unit]
SCGSCR	CRSC Management Control System
SSS	Single-source selection
vpd	Vehicles per day

PROJECT SUMMARY

ARGENTINA CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP): PROGRAM TO BUILD CAPACITY AND IMPROVE SAFETY ON THE CRISTO REDENTOR SYSTEM CORRIDOR (AR-00006) FIRST OPERATION OF THE PROGRAM TO BUILD CAPACITY AND IMPROVE SAFETY ON THE ACCESSES TO THE CRISTO REDENTOR BORDER CROSSING (AR-L1279)

Financial Terms and Conditions						
Borrower: Argentine Republic				Flexible Financing Facility^(a)		
				Amortization period:	25 years	
				Disbursement period:	5 years	
Executing agency: Dirección Nacional de Vialidad [Argentine Highway Administration] (DNV), a decentralized entity under the Ministry of Transportation				Grace period:	5.5 years	
				Interest rate:	LIBOR-based	
Source	CCLIP (US\$)	%	First operation (US\$)	%	Credit fee:	(c)
IDB (Ordinary Capital):	524,300,000	70	200 million	93	Inspection and supervision fee:	(c)
Local:	222,600,000	30	15 million	7	Weighted average life:	15.25 years
Total:	746,900,000	100	215 million	100	Approval currency:	United States dollar
Program at a Glance						
Objective of the CCLIP: The overall objective of the CCLIP is to help enhance cross-border integration between Chile and Argentina by reducing travel times and transportation costs on the Cristo Redentor System Corridor (CRSC) through the provision of transportation infrastructure and a border integration system to facilitate regional connectivity.						
Objective of the first operation: The objective of the first operation is to improve service quality on the CRSC by reducing travel times and transportation costs through the construction of bypass roads in urban areas and supplementary safety-related works.						
Special contractual conditions precedent to the first disbursement: As a special contractual condition precedent to the first disbursement of the financing, the Ministry of Finance and the DNV, an agency of the Ministry of Transportation, will have signed a subsidiary agreement for the transfer of the loan proceeds and the execution of program activities (paragraph 3.3). See also the environmental and social contractual conditions in the legal requirements section of the project's environmental and social management report (required electronic link 3).						
Special contractual conditions for execution: Prior to the commencement of civil works for program execution, the DNV will have submitted evidence to the Bank of (i) the release of 30% of the route for each of the works, and (ii) the designation or hiring of a leader for each of the works and works inspectors (paragraph 3.4). See also the environmental and social contractual conditions in the legal requirements section of the environmental and social management report (required electronic link 3).						
Exceptions to Bank policies: None						
Strategic Alignment						
Challenges: ^(d)	SI	<input type="checkbox"/>	PI	<input checked="" type="checkbox"/>	EI	<input checked="" type="checkbox"/>
Crosscutting themes: ^(e)	GD	<input type="checkbox"/>	CC	<input checked="" type="checkbox"/>	IC	<input type="checkbox"/>

^(a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes in the amortization schedule as well as currency and interest rate 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 the 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 relevant policies.

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

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

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 **General context.** Argentina and Chile share the longest international land border in South America, much of it delineated by 5,150 kilometers of the Andes mountain chain. Both countries have been participating in South American integration processes, and both governments have clearly decided to pursue economic integration through the regional initiatives of recent decades. This bilateral consensus and the complementarity of both countries' integration-related activities have come within the framework of the South American integration process since 2000, first as part of the Initiative for the Integration of South American Regional Infrastructure (IIRSA) and then, since 2009, in the South American Council of Infrastructure and Planning (COSIPLAN) of the Union of South American Nations.
- 1.2 Against this backdrop, and mindful of the importance of physical integration, Chile and Argentina have developed regional integration strategies ([optional electronic link 6](#)) in recent years to plan and strengthen their infrastructure and to optimize and coordinate border management processes. The main objective of these strategies is to strengthen and facilitate trade flows between the two countries, thereby contributing to regional economic growth. This integration facilitates: (i) access of the Atlantic Basin countries to ports on the Pacific coast, and (ii) Chile's access to Atlantic ports, with the resulting incentives for regional trade aimed at gaining a stronger foothold in global value chains through access to the high-growth markets of Asia.
- 1.3 **Specific context.** Currently, there are 26 international border crossings between Chile and Argentina, and some of them are undergoing projects to enhance connectivity as part of a gradual increase in trade between the two countries, as well as coordination of migration, customs, and phytosanitary controls. These projects include the Agua Negra Pass International Tunnel Structuring Program (paragraph 1.17), for which the Bank approved a loan in 2016 to finance preinvestment studies in both countries (operations 3867/OC-RG and 3868/OC-RG), and a CCLIP was approved in October 2017 to finance the tunnel works (operation 4338/OC-RG; 4339/OC-RG).
- 1.4 **The Cristo Redentor border crossing (CRBC)** is the crossing between Argentina and Chile with the highest volume of heavy-vehicle traffic, trucks accounting for 40% (797 per day) of that volume. The CRBC connects the Argentine province of Mendoza to the Chilean region of Valparaíso. Freight transport through the CRBC totals 5.26 million tons annually and accounts for 77% of all highway commerce across the Chilean border.¹ By volume, 70% of the freight crossing the CRBC originates in Argentina, 15% in Chile, and 15% in other countries of the Southern Common Market (MERCOSUR), underscoring the CRBC's critical role in regional and international integration.
- 1.5 At 3,300 meters above sea level, the CRBC consists of the Libertadores and Caracoles tunnels. It is accessed on the Argentine side via National Route (RN) 7, which traverses 208 kilometers of mountainous terrain in the Cuyo region (Figure 1). Access on the Chilean side is provided by Route 60, which cuts across the region of

¹ Andean Development Corporation, 2007.

Valparaíso and passes through 13 municipalities (Figure 1). This corridor, consisting of the access roads in both countries plus the tunnels, is known as the Cristo Redentor system corridor (CRSC).

Figure 1. Map of the CRSC



Source: Prepared by the project team.

- 1.6 The CRBC was identified by COSIPLAN in the Integration Priority Project Agenda as a priority border crossing of the MERCOSUR-Chile Interoceanic Corridor.² The Argentine and Chilean governments, seeking to improve the CRSC's physical connectivity, established the CRSC Integration Committee in January 2016 at the request of two countries' respective presidents, and with ratification by the respective foreign ministries, to prioritize and coordinate investments in the CRSC. The Bank is also supporting this effort with technical-cooperation operations³ to conduct studies on expanding the tunnels' capacity and to optimize the CRBC's control

² The CRBC is included in the IIRSA/COSIPLAN project portfolio and, at the bilateral level, in the Master Plan for Priority Crossings, Horizon 2030.

³ Operations ATN/OC-15803-RG, ATN/OC-10620-RG ([optional electronic link 8](#)), and ATN/OC-14926-RG.

systems through design of the Cristo Redentor Management Control System (SCGSCR)⁴ ([optional electronic link 8](#)).

- 1.7 The prioritization of investments in the CRSC, together with those of the Agua Negra Pass International Tunnel, further underpins the long-term integration strategy of the Argentine and Chilean governments. It aims to satisfy the growing demands of international trade and develop infrastructure with the potential for creating opportunities for new trade flows within MERCOSUR and other regional markets. In this context, interventions in the CRSC seek to improve its capacity and servicability with the aim of accommodating increasing freight and passenger demand. The Agua Negra Pass international tunnel, which is currently under construction, will be one of the alternative border crossings closest to the PCR, helping to optimize the capacity of the entire international trade system of both countries and offering resilience to climate-related conditions.
- 1.8 **Analysis of the problem.** The CRSC's serviceability is frequently disrupted by weather events⁵ and heavy congestion, especially in urban areas⁶ and at border posts,⁷ reducing the efficiency of freight and passenger transport. A significant number of traffic accidents, many of them serious or fatal, occur on the corridor as well.⁸ The leading causes of these problems include: (i) increased demand for, and a high proportion of, heavy vehicles;⁹ (ii) an excessive number of dangerous curves;¹⁰ (iii) competition between corridor traffic and urban traffic on some segments; (iv) a lack of snow/avalanche sheds to prevent disruptions caused by rockslides and avalanches;¹¹ (v) the fact that the Libertadores Tunnel has only a single lane in each direction with no galleries, and the Caracoles Tunnel—which runs parallel to the Libertadores Tunnel and dates from 1900—is only five meters wide and currently out of service; (vi) pavement defects (e.g. undulations and deformations) in the tunnels and on road segments; and (vii) weaknesses in border control processes.¹²

⁴ The SCGSCR is an information-technology system that collects data on the means of transport used in the corridor, checks vehicle inventory per segment in real time, monitors improvements in border control, and generates statistics and management information for decision-making by border control agencies operating in the corridor and border crossing.

⁵ Between 40 and 50 days per year due to snowstorms and snow accumulation.

⁶ For example, the cities of Mendoza, San Martín, Uspallata, and Luján de Cuyo.

⁷ Due to weaknesses in developing and coordinating the control processes of agencies at the border crossing, as well as deficiencies in building infrastructure, wait times can be 7 to 10 hours.

⁸ A total of 65 accidents occurred on National Route 7 between Provincial Route 41 and the Chilean border, leaving 7 people dead and 32 seriously injured. Of these 65 accidents, 20 were caused when vehicles left the road and overturned due to poor road conditions.

⁹ Traffic is growing at an approximate pace of 3% per year nationwide. Traffic on the CRBC has increased by 5.3% per year over the past seven years, including a 9.3% increase between 2014 and 2015.

¹⁰ Ten curves have been identified as dangerous on the 113-kilometer segment between the Guido curve and the Soberanía Nacional curve.

¹¹ Seismic activity and snow are frequent causes of rockslides in the area. On the Argentine side, 31 spots have been identified as particularly prone to landslides and avalanches.

¹² Diagnostic assessments carried out as part of the consulting services for optimization of the Cristo Redentor border crossing (technical-cooperation operation ATN/OC-10620-RG) and for the international design of the SCGSCR (technical-cooperation operation ATN/OC-14926-RG), which are currently in execution.

- 1.9 **Interventions proposed for the CRSC.** To mitigate the problems affecting quality of transportation on the corridor, interventions are planned on the Argentine side to expand road capacity by building bypass roads, passing lanes, and snow sheds; using the “Safe Roads” design standard;¹³ realigning dangerous curves; and expanding and realigning tunnels. Investments in improvements to border post facilities and in border management control systems are planned.¹⁴ The interventions proposed on the Chilean side focus on Route 60 and include the construction of bypass roads around urban areas (San Felipe-Panquehue), a viaduct and bridge in the San Felipe region, and the Los Libertadores border complex. A binational work team will coordinate the two countries’ investments (paragraph 3.2).
- 1.10 **Financing for CRSC interventions.** The interventions targeting access roads on the Chilean side involve infrastructure awarded by concession to the private sector, and therefore the concession holder is responsible for the investments under the terms of the contract signed with the Chilean government. Tunnel works projects on the Chilean side will be funded with public resources. The Argentine government has requested Bank financing through this program for interventions on the Argentine side.
- 1.11 **CCLIP and the first operation.** The program is structured through a CCLIP to finance interventions to expand capacity and enhance road safety along the CRSC on the Argentine side (Figure 2), including (i) construction of bypass roads, (ii) expansion of road and tunnel capacity, (iii) realignment of curves, (iv) safety-related works, (v) construction of snow sheds, and (vi) border infrastructure and management systems.¹⁵ The first operation is structured as a multiple-works loan to finance roadway interventions in urban areas and on segments of National Route 7.
- 1.12 **Interventions planned in the first operation.** The works projects included in the first operation will help solve the problems described above (paragraph 1.7) and will satisfy specific eligibility criteria (paragraph 2.7). The works projects prioritized by the Argentine government in the CRSC, which constitute the sample for the first operation, include construction of the Palmira–Luján de Cuyo bypass road (Figure 2) in Mendoza province. The first operation does not include tunnel works projects, nor does it include infrastructure or systems related to border crossing management.
- 1.13 **Problems specific to the Palmira–Luján de Cuyo bypass road.** There is significant traffic congestion along National Route 7 where it meets the city of

¹³ The “Safe Roads” standard calls for interventions in road segments that have safety problems, accidents, and traffic levels substantially below that which would justify road widening. It also calls for building roads to a width of 7.3 meters with paved shoulders, a third lane for passing, road surface markings, signage, and pedestrian bridges, as well as improvements to help solve specific road-safety problems, such as realignment of curves, construction of pedestrian crosswalks, safety enhancements on access routes to schools, and improvements to intersections.

¹⁴ Potential interventions to be determined based on the findings of consulting services provided as part of technical-cooperation operation ATN/OC-14926-RG, currently in execution.

¹⁵ Works projects are planned at the following locations in the Argentine province of Mendoza: construction of bypass roads at Palmira and Uspallata; expansion of road capacity at Luján de Cuyo–Potrerillos, Uspallata, and Las Cuevas; realignment of curves at Potrerillos–Uspallata; sheds and safety-related works at Potrerillos–Uspallata and Las Cuevas. Interventions are also planned in Argentina and Chile: expansion of the Libertadores Tunnel and repair of the Caracoles Tunnel; and improvements to facility infrastructure and management systems (Figure 2).

Mendoza, which is noticeable when entering or leaving the city and when traveling along the highway. This causes a significant increase in travel times¹⁶ and related transportation costs, with a negative impact on both commercial traffic and light-vehicle tourist traffic, long-distance buses, and cargo vehicles traveling to and from central Chile or the northwest-central part of Argentina.

Figure 2. Map of the CRSC and works projects planned in Argentina



Source: DNV.

- 1.14 **Rationale for the CCLIP.** Use of the CCLIP to finance interventions in the CRSC is justified for the following reasons: (i) it provides timely resources to the borrower for continuity in the CRSC investment program for interventions throughout the corridor;¹⁷ (ii) it enables the Bank to provide effective support and maintain a continuous presence in the sector; and (iii) the interventions have independent outputs and outcomes that are not constrained by a sequence of intervention. The CCLIP will also help enhance the effectiveness and speed of the loan preparation and approval process by reducing procedural costs for both the Bank and the country.
- 1.15 **Evidence of the effective impact of roadworks projects on productivity.**¹⁸ According to Fedderke and Bogetic (2009),¹⁹ infrastructure works such as interurban roadways facilitate investment or have a multiplier effect on investment by lowering production costs and opening new markets, thereby creating new production, trade, and profit opportunities for different agents. Khandker et al. (2009)²⁰ evaluate the early impact of a project to rehabilitate and improve road systems in Bangladesh and concluded that the program reduced transportation costs by as much as 38%

¹⁶ According to DNV surveys on the origin and destination of traffic, the average speed of heavy vehicles drops from an average of 75 kilometers per hour in the corridor to 35 kilometers per hour in the Mendoza region.

¹⁷ According to the CCLIP policy (document GN-2246-9), the second operation for the CRSC may commence as soon as 75% of the funding the first operation is committed or 50% is disbursed, so as not to lose continuity or momentum in the program.

¹⁸ Djankov, S., C. Freund, and C.S. Phan, 2006. Trading on Time. World Bank Policy Research Working Paper.

¹⁹ Fedderke, J. W. and Ž. Bogetic. "Infrastructure and Growth in South Africa: Direct and Indirect Productivity Impacts of 19 Infrastructure Measures." World Development (2009): 1522-1539.

²⁰ Khandker, S. R., Bakht, Z., and Koolwal, G. B. (2009). "The Poverty Impact of Rural Roads: Evidence from Bangladesh." Economic Development and Cultural Change, 57(4), 685-722.

and the cost of fertilizer by 4% to 5%. Fan, Hazell, and Thorat (2000)²¹ estimate the effect of an increase in road density in India on total factor productivity and find that each additional 1% in road density increases total factor productivity by 5.7%. Evidence in Central American countries indicates that shortcomings in transportation infrastructure—especially border crossings—increase the cost of transporting goods by 4% to 12%,²² thus eroding the competitiveness of their economies. Lastly, Fernald (1999)²³ finds significant increases in total factor productivity after the expansion of highways in the United States after 1970.

- 1.16 **Evidence of the effective impact of infrastructure investments on regional integration.** Infrastructure investments help reduce transport costs with the resulting increases in economies' global competitiveness. Trade flows are highly sensitive to transport costs (Krugman and Livas, 1996). According to Venables (1996), improving transportation infrastructure is important in reducing inequalities between the countries of a region, because the location of firms in areas with low logistical costs and high unemployment helps reduce unemployment and raise the population's living standards (Puga, 1999). This contributes to regional economic convergence, which entails a reduction in the GDP-per-capita gap between member countries of an economic bloc.²⁴ Lastly, international evidence indicates that delays have a significant impact on the costs and times involved in international trade. Each additional day that a product is delayed prior to shipment reduces trade by more than 1%, equivalent to a country distancing itself from its trade partners by about 70 kilometers on average.²⁵ Empirical evidence from Latin American countries (Brazil, Chile, Colombia, Mexico, and Peru) shows that improvements in transport infrastructure with a 1% ad valorem reduction in domestic transport costs may increase exports by an average of 5% (see Moreira et al., 2013).²⁶ The outcomes also indicate positive impacts on diversification patterns due to an increase in the number of products exported. Moreover, due to significant complementarities, improvements in infrastructure are much more effective in boosting export growth if effectively combined with additional policies to help reduce trade costs. This is particularly true in the case of public-sector actions to facilitate trade and promote exports that address administrative and logistical problems (Volpe Martincus, Carballo, and Graziano, 2013). Similarly, following completion of a road rehabilitation project on the regional highway linking Kazakhstan and Kyrgyzstan,

²¹ Fan, S., Hazell, P., and Thorat, S. (2000). "Government Spending, Growth and Poverty in Rural India." *American Journal of Agricultural Economics*, 1038-1051.

²² *Competitive Advantage: Moving Ahead of the Global Competition*. IDB, 2013.

²³ Fernald, John G. "Roads to Prosperity? Assessing the Link Between Public Capital and Productivity." *American Economic Review* (1999): 619-638.

²⁴ The theoretical foundation of the concept of regional convergence is found in Robert A. Mundell, "A Theory of Optimum Currency Areas," *The American Economic Review*, (1961), pp. 657-665.

²⁵ International evidence indicates that delays have a significant harmful impact on international trade (Djankov, S., C. Freund and C.S. Phan, 2006. *Trading on Time*. World Bank Policy Research Working Paper 3909). Moreover, each day that a good is in transit accounts for between 0.6% and 2% of its value (David Hummels, 2012). www.researchgate.net/publication/5081736_Time_as_a_Trade_Barrier.

²⁶ Moreira, Mesquita, M., J. Blyde, C. Volpe, and D. Molina, 2013. *Too Far to Export: Domestic Transport Costs and Regional Export Disparities in Latin America and the Caribbean*. Special Report on Integration and Trade. IDB.

traffic volume rose by 25% and exports from Kyrgyzstan to Kazakhstan were up 160% between 1998 and 2007.²⁷

- 1.17 **The Bank's experience supporting regional transportation integration projects.** The Bank has gained broad experience in supporting binational efforts to design and implement regional transportation projects. Through the Fund for the Financing of Technical Cooperation for Initiatives for Regional Infrastructure Integration, nine technical cooperation operations have been financed²⁸ in South America alone, including regional border and multimodal corridor studies. Between 2016 and 2017, the Bank approved: (i) a US\$40 million loan for the Agua Negra Pass International Tunnel Structuring Program to finance the preinvestment studies for the Agua Negra Pass International Tunnel (loans 3867/OC-RG and 3868/OC-RG); and (ii) a CCLIP to finance the Agua Negra tunnel works (loans 4338/OC-RG and 4339/OC-RG).²⁹ The Bank has been recognized for its role in facilitating dialogue through coordination of multinational monitoring committees. This mechanism has produced greater ownership of outcomes and has laid the foundation for coordinated implementation of future projects. In addition, regional support for preinvestment has resulted in coordinated loans, such as the twin cross-border operations between Costa Rica and Nicaragua (loans 3488/OC-CR and 3577/BL-NI), approved simultaneously by the Board of Executive Directors in 2015. The Bank's experience in electrical integration, both in the Central American Electric Interconnection System and in the Pacific Alliance, is noteworthy as it relates to integration infrastructure and harmonization of institutions and regional policies.
- 1.18 **The Bank's road sector expertise.** The Bank has financed many highway projects in Argentina and Chile. Since 2000, it has provided loans to 25 transportation operations in Argentina ([optional electronic link 2](#)) for more than US\$2 billion. It is currently executing the National Route 19 project (loan 3836/OC-AR) in Córdoba province, Argentina—which is part of the interoceanic corridor where the Agua Negra Pass International Tunnel is located—as well as the operation for the structuring of the Agua Negra Pass International Tunnel between Argentina and Chile (loan 3867/OC-RG). The Bank has also been a leader in the design and execution of border crossing operations with Ecuador-Colombia, Guatemala-Nicaragua, Argentina-Chile, and Costa Rica-Panama.³⁰
- 1.19 **Lessons learned (paragraphs 1.15 and 1.16).** The main lessons learned from regional integration projects and integration-related road projects have been incorporated in the design of this operation. These include: (i) interventions should follow a comprehensive and complementary approach; (ii) binational coordination is essential, at both the project management and technical levels; and (iii) bidding

²⁷ Asian Development Bank, 2008.

²⁸ Operations ATN/OC-10620-RG, ATN/OC-10847-RG, ATN/OC-11400-RG, ATN/OC-10774-RG, ATN/OC-13350-RG, ATN/OC-13632-RG, ATN/OC-13872-RG, ATN/OC-13289-RG, and ATN/FG-15606-RG.

²⁹ The studies for the Agua Negra Pass International Tunnel found that: it would not divert significant traffic from current border crossings, except in the event of weather-related closure (snow) and/or overburdening of the CRBC; it would generate additional tourist traffic in the Argentine province of San Juan and in the city of La Serena in Chile's Coquimbo region; and would promote exports from the Argentine provinces of Córdoba and San Juan (predominantly mining exports).

³⁰ Operations 3324/OC-EC, 3484/BL-NI, 3488/OC-CR, PN-L1107, ATN/JF-14202-RG, and ATN/OC-14926-RG.

documents must be complete and include engineering designs of high technical quality. The Bank has taken these lessons into account by, respectively, (i) using the CCLIP instrument, (ii) forming a binational working group, and (iii) financing preinvestment studies for future CCLIP operations.

- 1.20 **The Bank's strategy with the country.** The program is aligned with the IDB Group Country Strategy with Argentina 2016-2019 (document GN-2870-1) through the strategic objective of improving infrastructure for investment and inclusion. The CCLIP, in its regional integration capacity, is aligned with the objective of improving export insertion levels and profile through the outcome of reduced export costs and times.
- 1.21 **Strategic alignment.** The program is consistent with the Update to the Institutional Strategy 2010-2020 (document AB-3000) and is strategically aligned with the following development challenges: (i) productivity and innovation, under the criterion of provision of suitable, reliable, and affordable infrastructure and public services, as the interventions will enhance accessibility and facilitate connectivity by reducing travel times and transportation costs; (ii) economic integration, through improvements to transnational road infrastructure, by connecting not only the two countries involved in the project, but also the other countries in the region that will benefit from an upgraded road system on the MERCOSUR-Chile axis of integration and development; and (iii) the crosscutting theme of climate change and environmental sustainability, as design and construction of the roadworks and snow sheds will address the recurrence of avalanches, rockslides, and flooding in the area of influence. Roughly 2.62% of the operation's proceeds will be invested in climate-change adaptation activities, in accordance with the multilateral development banks' joint methodologies for tracking climate finance ([optional electronic link 10](#)). These resources will contribute to the IDB Group's target of increasing climate finance lending to 30% of its approvals by year-end 2020.
- 1.22 The operation will contribute to the Corporate Results Framework 2016-2019 (document GN-2727-6) through the outcome indicator of kilometers of roads built or upgraded.
- 1.23 The program is also aligned with the Sector Strategy to Support Competitive Global and Regional Integration (document GN-2565-4) in the following criteria: (i) cross-country focus, as it will support national actions aimed at facilitating access to international markets; (ii) national subsidiarity, as it will help implement a project identified as a priority by the supranational initiative COSIPLAN/IIRSA; and (iii) regional additionality, through greater cooperation and its contribution to regional and local economic development.
- 1.24 The program is also consistent with (i) the IDB Infrastructure Strategy – Sustainable Infrastructure for Competitiveness and Inclusive Growth (document GN-2710-5) by contributing to an improvement in the quality of transport infrastructure and fostering private-sector involvement in building and operating infrastructure; (ii) the Transportation Sector Framework (document GN-2740-7) by contributing to improvements in the coverage, capacity, quality, and connectivity of transportation infrastructure and associated services; and (iii) the Trade and Integration Sector Framework (document GN-2715-6) by prioritizing support to the development of integration corridors.

B. Objectives, components, and cost

- 1.25 **Objective of the CCLIP.** The overall objective of the CCLIP is to help enhance cross-border integration between Chile and Argentina by reducing travel times and transportation costs on the Cristo Redentor System Corridor (CRSC) through the provision of transportation infrastructure and a border integration system to facilitate regional connectivity.
- 1.26 **Objective of the first operation.** The objective of the first operation is to improve service quality on the CRSC by reducing travel times and transportation costs through the construction of bypass roads in urban areas and supplementary safety-related works.
- 1.27 To achieve the proposed objective, the program is structured in the following components:
- 1.28 **Component 1. Civil works (US\$209,500,000).** This component includes construction of works, mitigation of social and environmental concerns, and acquisition of land.³¹ The works include the construction of bypass roads in urban areas, expansion of road capacity, realignment of curves, installation of rock fall/avalanche barriers, and safety-related works. The work selected as a representative sample is the construction of the Palmira–Luján de Cuyo bypass road.
- 1.29 **Component 2. Capacity building and preinvestment (US\$5,000,000).** This component includes institutional strengthening of the DNV in areas related to works inspection and supervision, financing for design studies, and preparation of technical documentation for future operations. It will also finance the second phase of the tunnel retrofitting study.³²
- 1.30 **Auditing and evaluation (US\$500,000).** Financing will be provided for an external audit and evaluation costs.
- 1.31 **Costs.** Table 1 presents the consolidated budget by component:

Table 1. Budget by component (US\$)

Component/activities	IDB contribution	Local contribution	Total
Component 1: Civil works	194,500,000	15,000,000	209,500,000
Palmira bypass road	150,308,115	11,591,885	161,900,000
Other works in the CRSC	44,191,885	3,408,115	47,600,000
Component 2: Capacity building and preinvestment	5,000,000	0	5,000,000
Preinvestment studies and support for supervision of civil works	5,000,000	0	5,000,000
Auditing and evaluation	500,000	0	500,000
Total	200,000,000	15,000,000	215,000,000

³¹ Land acquisition will be financed by the local counterpart.

³² The Bank is currently executing technical cooperation operation ATN/OC-15803-RG, which entails the Caracoles Tunnel retrofitting study (Phase I).

C. Key results indicators

- 1.32 The main impact expected is an increase in the volume of freight transported on the CRSC between Argentina and Chile (Annex II). The expected outcomes of the first operation are: (i) fewer number of days per year that the CRSC is closed due to avalanches, (ii) increase in the number of vehicles traveling on the Palmira–Luján de Cuyo segment, (iii) lower transport costs per ton, (iv) lower vehicle operating costs, and (v) decreased travel times on the same segment.
- 1.33 Construction of the Palmira bypass road will reduce travel distances by about 16.5 kilometers for trucks traveling on National Route 7 toward the tunnels and the CRBC, with the resulting decrease in transport costs per ton-kilometer, as vehicles will no longer need to pass through the city of Mendoza.
- 1.34 **Technical and economic viability of the sample project (Palmira–Luján de Cuyo bypass road).** The technical design options for the sample project have been analyzed using an economic evaluation based on the Highway Development and Management Model, version 4 (HDM-4). Preliminary intervention alternatives of asphalt and concrete pavement with a 20-year lifecycle were compared, and asphalt pavement was selected as the best alternative for maximizing rates of return. The selected “with project” alternative will provide a route to the CRBC while reducing travel distances on National Route 7 and National Route 40 by 30%.
- 1.35 Vehicle operating costs (operation only)³³ for a standard fleet of traffic diverted onto the Palmira bypass road will decrease by an estimated 43%, with an average savings of 18 minutes of travel time for a standard fleet, based on average speeds in the “with project” and “without project” scenarios on the segments modeled in HDM-4 and in the DNV’s traffic studies. The design parameters are as follows: (i) expressway built to a design speed of 130 kilometers per hour; (ii) two-lane highway with a width of 7.3 meters in both directions; (iii) paved shoulders; (iv) overpasses and grade-separated turnarounds and railroad crossings, which will require the construction of 20 bridges; (v) controlled access; (vi) hydraulic design; (vii) road safety considerations; and (viii) access roads to population centers. To select the best alternative, HDM-4 was used to evaluate the road network in the area of influence for each scenario (with and without the project).
- 1.36 The evaluation was conducted on a grouping of six homogeneous segments and the Palmira bypass road. The incremental economic benefits of the “with project” and “without project” scenarios were quantified, as determined by savings in overall transport costs (vehicle operating costs plus travel time costs) due to the diversion of traffic onto the bypass road, its impact on the network of modeled segments in the “with project” scenario, and savings in routine maintenance costs.
- 1.37 **Cost-benefit analysis of the sample project.** The DNV performed an economic evaluation of the project ([optional electronic link 1](#)). The evaluation of the Palmira bypass road yielded a net present value (NPV) of Arg\$4.215 billion, equivalent to US\$257 million (at a discount rate of 12%) and an economic internal rate of return (EIRR) of 33.9%. A sensitivity analysis was conducted on the indicators of economic return in scenarios of decreased benefits and increased combined costs. Even in the most unfavorable scenario—with a 25% cost increase and a 25% combined

³³ Vehicle operating costs and travel time costs are specified in the indicator of reduced travel times.

decrease in benefits—the analysis yielded an NPV of Arg\$2.341 billion, equivalent to US\$142.7 million, and an EIRR of 23.4%, which is greater than 12%. The project can withstand a 168% cost increase or a 57% reduction in diverted traffic, which would yield an EIRR of 12% and an NPV of zero. The project, therefore, is found to be technically and economically feasible.

- 1.38 **Beneficiaries of the CCLIP.** The direct beneficiaries of the program are all passengers, freight transport users, and other actors in Argentina's and Chile's logistical export and import chains who travel on the CRSC (2,200 vehicles per day, roughly 71% of them freight vehicles and 29% passenger vehicles). Some 2,314,000 people are expected to benefit from the CCLIP each year.
- 1.39 **Direct beneficiaries of the project.** The direct beneficiaries of the Palmira bypass road project are all passengers, freight transport users, and other actors in the logistical export and import chains who pass through the cities of Mendoza and Potrerillos and who travel the corridor toward the Cristo Redentor border crossing. The number of these direct beneficiaries is expressed as the average volume of vehicles traveling National Route 7 from San Martín, at the intersection with Provincial Route 41, to Potrerillos, passing through Mendoza, Guaymallén, Luján de Cuyo, and Potrerillos. These are the most important population centers, with a weighted average traffic flow of 34,450 vehicles per day on the segment from the intersection of Provincial Route 41 to the intersection of Provincial Route 40, and a weighted average of 3,920 vehicles per day from Potrerillos to Uspallata.
- 1.40 **Indirect beneficiaries of the project.** The indirect beneficiaries of the project are the 920,826 residents of the cities in Mendoza province that are located in the six departments³⁴ through which National Route 7 passes on the segment from Palmira to the vicinity of Potrerillos, as all of them will benefit from the socioeconomic impact of the work as a result of new economic activity during road construction and due to the expected increase in traffic. Construction of the bypass road will also benefit the residents of Mendoza through reduced congestion, noise, and pollution, as it will allow users to avoid urban traffic.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 **Type of financing.** The works in the CRSC will be financed by a CCLIP of up to US\$746.9 million, consisting of US\$524.3 million in Bank financing and US\$222.6 million in local counterpart funding, with a 10-year disbursement period. The first operation is structured as a multiple-works investment loan of up to US\$215 million, consisting of US\$200 million in Bank financing and US\$15 million in local counterpart funding, with a five-year disbursement period.
- 2.2 The works to be financed by the CCLIP include (i) construction of bypass roads, (ii) expansion of road and tunnel capacity, (iii) realignment of curves, (iv) safety-related works, (v) snow sheds, and (vi) border infrastructure and management systems.

³⁴ These include the provincial capital city of Mendoza and the departments of Guaymallén, Maipú, Junín, Godoy Cruz, and Luján de Cuyo.

- 2.3 The first operation is structured as a multiple-works loan to finance works on segments of National Route 7 (paragraph 2.7). Construction of the Palmira–Luján de Cuyo bypass road has been selected as the representative sample (Figure 2). The multiple works instrument³⁵ has been chosen in order to include smaller works with similar characteristics but independent of each other. These will be studied during the execution of the first operation and are subject to eligibility criteria.

Table 2. Disbursement timetable

Source	2018	2019	2020	2021	2022	Total
US\$ million	18.29	71.62	84.4	40.34	0.35	215
%	8.5	33	39	19	0.5	100

- 2.4 **Eligibility of the CCLIP.** The CCLIP meets the requirements set forth in the Bank's policies (document GN-2246-9) and operational guidelines (document OP-1622-1) because (i) the DNV has executed similar projects in the past five years;³⁶ (ii) its overall performance in execution and its progress in attaining expected outcomes are satisfactory; (iii) the borrower and executing agency have fulfilled the conditions of the loan contract; (iv) the included financial and operational reports, such as audited financial reports, account statements, budget reports, and operational management reports, were prepared and submitted in a timely manner and are of acceptable quality;³⁷ (v) investments carried out with project financing have been adequately maintained; (vi) the action areas of the credit line are prioritized in the Bank's country strategy and the country program document; and (vii) the institutional analysis is satisfactory³⁸ (Annex III).
- 2.5 **Eligibility of the first operation.** The first operation meets the eligibility conditions set forth in the Bank's policies (document GN-2246-9) and operational guidelines (document OP-1622-1) because (i) it fits within the objective of the CCLIP; (ii) it is included in the updated aide-mémoire for the Bank's programming with Argentina dated 2 October 2017; and (iii) the DNV is an integral part of the Ministry of Transportation.
- 2.6 **The sample project.** Construction of the Palmira–Luján de Cuyo bypass road was selected as the representative sample work. This civil work entails construction of a new 36.5-kilometer segment consisting of two lanes along its entire length, and built as an expressway on the segment from San Martín to the intersection of National Route 40. The Palmira–Luján de Cuyo bypass road will cost an estimated US\$161.9 million and accounts for about 75% of the amount for the first operation.
- 2.7 **Eligibility criteria for works in the first operation.** The eligibility criteria for works financed by the first operation require the works: (i) to be located on the CRSC; (ii) to

³⁵ In accordance with the procedures for Multiple Works Programs set out in the IDB's Operations Processing Manual (manual PR-202) for sovereign guaranteed operations.

³⁶ The operations executed by the DNV include operation 2185/OC-AR for US\$150 million, completed on 29 March 2017.

³⁷ "Acceptable quality" means that the conclusions, opinions, or recommendations in the available reports contain no qualifications or significant comments that might signal deficiencies affecting the project's administrative, financial, or operational capacity.

³⁸ In the Bank's assessment of the DNV, its execution capacity was scored at 90% and its total score on all evaluated systems was 83.94%.

be classified as one of the following: (a) construction of bypass roads in urban areas; (b) expansion of road capacity and construction of passing lanes; (c) realignment of curves; (d) snow sheds; or (e) safety-related works; (iii) to have a sufficient level of technical, environmental, and social feasibility, including that they cannot be classified as a category “A” operation; and (iv) to be economically feasible, as measured by the EIRR. The eligibility of works will be subject to the Bank’s no objection.

B. Environmental and social risks

- 2.8 **Environmental and social safeguards.** In accordance with the Bank’s Environment and Safeguards Compliance Policy (Operational Policy OP-703), the project has been classified as a category “B” operation. The main environmental impacts will affect the natural habitat, water quality in rivers and at water crossings, and on the Mendoza River in areas to be used as quarries, as well as in the form of dust, noise, and changes in the landscape. The social impacts include the resettlement of approximately four households and expropriation of properties, including people who lack property titles.
- 2.9 Two rounds of public consultation have been held. As part of the approval process for the environmental impact assessment (EIA) dated 14 December 2016, the DNV held a hearing at the Maipú Cultural Center to explain the Palmira bypass road project to all stakeholders, pursuant to the law. Invitations were sent to authorities, and interested parties were asked to attend through notices placed in newspapers. The outcomes of the consultation are documented in the minutes.
- 2.10 A second round of public consultation was held on 4 August 2017 in the municipality of Maipú to introduce the project once again and specifically to address the social and environmental impacts and related mitigation measures. The resettlement and compensation plan was also presented to those affected. This consultation was organized through personal invitations to those affected, and its outcomes are documented in a report prepared by the DNV, which is part of the supplemental EIA ([optional electronic link 3](#)) posted on the Bank’s website.
- 2.11 In preparing this operation, a strategic EIA for the CRSC, which includes the involuntary resettlement framework as a mitigation measure for future works financed by the operation and by the CCLIP, has been prepared and published ([optional electronic link 4](#)). The EIA of the sample work (Palmira–Luján de Cuyo bypass road) has been updated ([optional electronic link 3](#)). In carrying out the sample work, an environmental and social management plan will be prepared, with mitigation measures for potential impacts to the environment in the construction or operational phases of the work, including the mitigation of seismic risks and natural-disaster risks. The following medium-level social and environmental risks were identified at the risk workshop: (i) social risks due to the location of the Palmira bypass road project, for which a resettlement plan was prepared that took into account the input received from the public consultations; and (ii) risks related to the discovery of unidentified environmental liabilities, to be mitigated by an express requirement that contractors submit a procedure for managing such liabilities in accordance with Operational Policy OP-703 ([optional electronic link 4](#)).

C. Fiduciary risks

- 2.12 **Fiduciary considerations.** No medium- or high-level risks have been identified in this operation. The institutional capacity assessment of the Bureau of Administration and Finance (DGAF)—now the Administration and Finance Coordination Office (CGAF)—performed using the Institutional Capacity Assessment System (ICAS) in 2016, found a low level of risk in the DNV's institutional capacity for project execution (Annex III). Opportunities for improvement indicated by the ICAS and incorporated in the project include: (i) to formalize monitoring mechanisms or procedures to help verify the fulfillment of plans and programs; and (ii) to include outcome indicators and means of verification in the annual work plan and the monitoring and evaluation plan ([required electronic link 2](#)).

D. Other project risks

- 2.13 **Public-management and governance risk.** To mitigate the identified medium-level risk related to coordination between Argentina and Chile, a binational technical work team has been formed as part of the technical cooperation operations financing the studies for expansion of tunnel capacity (paragraph 1.6). This working group will be responsible for managing the timetable of CRSC-related works in both countries, as well as for validating technical solutions and supervising design work, procurement processes, and the execution of tunnel works. The working group will have two coordinators, one representing each country, and will be linked to the CRSC committee formed in January 2016 at the request of the Argentine and Chilean presidents and ratified by both foreign ministries.
- 2.14 **Development risks.** To mitigate the risk associated with a failure to fulfill construction and/or rehabilitation timetables stemming from the lack of an independent executing agency, a project leader and works inspectors will be designated and engaged throughout the life of the project.
- 2.15 **Sustainability of investments.** To ensure that the investment is sustainable, the DNV will be responsible for maintaining the roads addressed in this operation and will include them as part of its force-account funding allocated to District IV of the national road network in Mendoza.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower for this operation will be the Argentine Republic, and the executing agency will be the DNV, a decentralized agency of the Ministry of Transportation. The operation will be coordinated by the CGAF, through the IDB Programs and Projects Coordination Unit³⁹ (SCPP) already in place at the DNV for the execution of Bank loans, and a project leader will be designated. The responsibilities of the SCPP will include: (i) assisting in procurement processes for works, goods, and services; (ii) processing loan disbursements with the Bank; (iii) making arrangements for the external audit; (iv) submitting work plans to the Bank (including the financial plan, the procurement plan ([required electronic link 4](#)), and the annual work plan ([required electronic link 1](#))); (v) submitting reports—

³⁹ Formerly the Program Coordination Unit (PCU)

- including audit, progress, and evaluation reports—and other program documents to the Bank; (vi) assisting in supervision and monitoring of works and service contracts; and (vii) serving as liaison with the Bank. The DNV has fiduciary experience in Bank-financed projects and, acting through its unit coordinators and/or directors, will carry out strategic monitoring of the program and will ensure coordination between the areas involved in program execution.
- 3.2 **Binational coordination.** To coordinate the interventions to be carried out by each country in the CRSC, Argentina and Chile have formed a binational technical working group (paragraph 2.13) to manage the timetable for studies and works on the corridor and to validate the technical solutions for the tunnels. The working group will meet every two months, will be tied to the infrastructure group of the CRSC committee (paragraph 1.6), and will have a coordinator from each country, representing Argentina's DNV and Chile's Ministry of Public Works, respectively.
- 3.3 **As a special contractual condition precedent to the first disbursement of the financing, the Ministry of Finance and the DNV, as part of the Ministry of Transportation, will have signed a subsidiary agreement for the transfer of loan proceeds and the execution of program activities,** in order to fulfill the country's domestic requirements, at the borrower's request.
- 3.4 **Special contractual conditions for execution:** As special contractual conditions for execution, prior to the commencement of civil works for program execution, the DNV will have submitted evidence to the Bank of: (i) the release of 30% of the route for each of the works, so as to ensure uninterrupted execution for the first year; and (ii) the designation or hiring of a leader for each works project to serve as the point of contact in dealing with the Bank, and to be linked to the DNV's functional areas, as well as the designation or hiring of works inspectors to ensure that they assist in the works from their inception and on a full-time basis.
- 3.5 **Procurement.** Works, goods, and consulting services will be procured in accordance with the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9), both of March 2011. All procurement processes must be included in the procurement plan ([required electronic link 4](#)) approved by the Bank through the Procurement Plan Execution System (SEPA) and adhere to the methods and ranges indicated therein, as described in the fiduciary agreements and requirements (Annex III).
- 3.6 **Single-source selection.** A direct contract in the amount of US\$600,000 will be used for the continuity of services provided by Geocontrol for completion of Phase II of the studies for retrofitting the Libertadores and Caracoles tunnels, in accordance with paragraph 3.10(a) of the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9). Geocontrol is currently carrying out Phase I of the study for retrofitting the Caracoles Tunnel and the galleries connecting it to the Libertadores Tunnel, which is being financed by technical cooperation operation ATN/OC-15803-RG.
- 3.7 **Disbursements.** The program will disburse resources using the advances of funds modality, based on actual liquidity needs. The DNV may request a new advance of

funds when justification has been provided for at least 80% of the total previous advance. Supervision will be on an ex post basis, as in previous loans to the same executing agency, which were free of qualifications by external auditors in their annual reviews.

- 3.8 **Advance procurement.** For procurement of the Palmira–Luján de Cuyo bypass road (estimated at US\$161.9 million), the executing agency is advancing the procurement timetable in accordance with the Bank's procurement policies.
- 3.9 **Retroactive financing.** The Bank may retroactively finance, as a charge against the loan proceeds of the first operation, up to US\$20 million (10% of the loan amount) in eligible expenditures incurred by the borrower prior to the date of loan approval for the procurement of works or studies for Components 1 and 2 of the program, provided that requirements substantially similar to those established in the loan contract have been met. Such expenditures must have been incurred on or after 3 August 2017 (project profile approval date) but may under no circumstances include expenditures incurred more than 18 months prior to the date of approval of the loan by the Bank's Board of Executive Directors.
- 3.10 **External audit.** The borrower will submit to the Bank, on an annual basis within 120 days after the end of each fiscal year, the program's financial statements duly audited by an independent auditing firm acceptable to the Bank. The cost of the audit will be financed with the loan proceeds.

B. Summary of results monitoring arrangements

- 3.11 **Monitoring and evaluation.** The objective of the monitoring and evaluation plan is to track program execution, implementing the proposed activities, and physically and financially executing the outputs. The plan consists of three principal areas of monitoring: (i) program administration and control, (ii) activities and outputs, and (iii) program outcomes. The executing agency will prepare a final evaluation report and submit it to the Bank within 90 days after the date on which 95% of the loan proceeds have been disbursed. This report will serve as an input for the project completion report.
- 3.12 Ex ante and ex post methodologies and ex post cost/benefit analyses will be used to monitor and evaluate expected program outcomes ([required electronic link 2](#)). The evaluation is based primarily on use of HDM-4. The ex post cost/benefit analysis of the program-financed intervention for the Palmira bypass road will replicate the model on an ex ante basis as part of the eligibility and feasibility studies for the bypass road.

Development Effectiveness Matrix		
Summary		
I. Corporate and Country Priorities		
1. IDB Development Objectives	Yes	
Development Challenges & Cross-cutting Themes	-Productivity and Innovation -Economic Integration -Climate Change and Environmental Sustainability	
Country Development Results Indicators	-Roads built or upgraded (km)*	
2. Country Development Objectives	Yes	
Country Strategy Results Matrix	GN-2870-1	Improvement of infrastructure for investment and inclusion.
Country Program Results Matrix		The intervention is not included in the 2017 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability	Evaluable	
3. Evidence-based Assessment & Solution	9.6	
3.1 Program Diagnosis	3.0	
3.2 Proposed Interventions or Solutions	4.0	
3.3 Results Matrix Quality	2.6	
4. Ex ante Economic Analysis	10.0	
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis	4.0	
4.2 Identified and Quantified Benefits	1.5	
4.3 Identified and Quantified Costs	1.5	
4.4 Reasonable Assumptions	1.5	
4.5 Sensitivity Analysis	1.5	
5. Monitoring and Evaluation	6.6	
5.1 Monitoring Mechanisms	2.5	
5.2 Evaluation Plan	4.1	
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood	Medium	
Identified risks have been rated for magnitude and likelihood	Yes	
Mitigation measures have been identified for major risks	Yes	
Mitigation measures have indicators for tracking their implementation	Yes	
Environmental & social risk classification	B	
IV. IDB´s Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting. Procurement: Information System, Price Comparison, Contracting Individual Consultant.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Gender Equality		
Labor		
Environment		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan		

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

This is the first operation of a CCLIP. The general objective of the CCLIP is to improve the accessibility of the Cristo Redentor Corridor (CSCR) on the Argentinian side in order to contribute to greater commerce and integration between Chile and Argentina and the Pacific and the Atlantic markets. The objective of this operation is to improve the quality of the CSCR by reducing travel time, vehicle operations costs and transport costs of cargo, through the construction of bypasses in urban areas and complementary works in road safety.

The loan proposal presents the problems to be addressed through the project as well as the factors that contribute to these problems. Empirical evidence demonstrating the magnitude of the CSCR deficiencies are presented. The proposed interventions are linked to the problems identified in the diagnosis.

The results matrix has vertical logic. The impact, outcome and output indicators are SMART and have sources of information. The output and impact indicators have baselines and targets as well. Due to the nature of multiple works Programs, it is not possible to set baselines and targets for the outcome indicators of the projects that are not included in the sample since they will only be identified during execution.

The project was analyzed using a cost-benefit analysis. The economic benefits were adequately quantified and the costs reflect real resource costs to the economy. The assumptions used were presented and a sensitivity analysis was performed.

The Program's monitoring work plan does not present the same indicators as those included in the results matrix and does not indicate when will the information for the indicators be compiled. It is not clear how will the projects, that are not included in the sample, be evaluated given that the evaluation plan does not include any evaluation questions involving them. The operation will be evaluated using a reflexive methodology and an ex-post cost-benefit analysis.

RESULTS MATRIX

Project objective:	<p>Objective of the CCLIP: The overall objective of the CCLIP is to help enhance cross-border integration between Chile and Argentina by reducing travel times and transportation costs on the Cristo Redentor System Corridor (CRSC) through the provision of transportation infrastructure and a border integration system to facilitate regional connectivity.</p> <p>Objective of the first operation: The objective of the first operation is to improve service quality on the CRSC by reducing travel times and transportation costs through the construction of bypass roads in urban areas and supplementary safety-related works.</p>
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EXPECTED IMPACT

Indicator	Unit of measure	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Means of verification	Comments
Impact 1: Increased volume of cargo transported on the CSCR between Argentina and Chile									
Freight volume transported on the CSCR	Millions of tons per year	10.09 ¹	10.42	10.75	11.09	11.45	11.81 ²	Traffic studies (2015) by the Argentine Highway Administration (DNV), updated to 2016.	Baseline: 10.09 million tons per year, for base year 2016. Target: 11.81 million tons per year in 2021 with the opening of the Palmira bypass road, which equates to a 17% increase in the five years since the base year (2016) and annual freight growth of 3.2%.

¹ The baseline is for 2016, with 197 light trucks per day (freight load of 18 tons per truck) and 1,148 heavy trucks (average freight load of 30 tons per truck), and with 74% of heavy trucks and 59% of short-distance light trucks carrying freight. Source: Origin/destination inspections on the Palmira-Luján de Cuyo bypass road segment. The “without project” traffic levels were used to determine “without project” weighted transported cargo per kilometer.

² The freight target for 2021 is based on projections to 2021 of traffic diverted onto the Palmira bypass road and traffic on the CSCR, using traffic studies updated to 2016 and projected to 2021, with 226 vehicles per day (vpd) for light trucks (carrying 18 tons per truck) and 1,345 vpd for heavy trucks (carrying an average of 30 tons per truck) while keeping the percentages of cargo-carrying trucks at 74% for heavy trucks and 59% for short-distance light trucks.

EXPECTED OUTCOMES

Indicators	Unit of measure	Baseline 2016	Year 1	Year 2	Year 3	Year 4	Year 5	Means of verification	Comments
Outcome 1. Reduced number of days per year of road closures on the CSCR									
Number of days per year that the CSCR is closed due to avalanches	Days	40 ³	40	40	40	40	37 ⁴	DNV management report with statistics on road closures per year on the CSCR	Baseline: 40 days per year on average. Target: The risk of road closures at avalanche-prone locations and the risk of snow-related closures will be reduced by building sheds. The target will be to build one shed during the first operation, thereby reducing the average number of road closures per year by three days.
Outcome 2. Increased number of vehicles traveling on the Palmira-Luján de Cuyo segment									
Number of vehicles traveling on the Palmira-Luján de Cuyo segment bypass (cars)	No. of vehicles per day	2,519	2,672	2,782	2,896	2,920	3,039	DNV management report with statistics on annual average daily traffic (AADT)	Baseline: AADT on homogeneous segments of existing roadway (53.1 km). Target: AADT on the homogeneous segments of the bypass road is calculated on the basis of the DNV's origin and destination study.
Number of vehicles traveling on the Palmira-Luján de Cuyo segment bypass (buses)		55	57	59	60	60	62		
Number of vehicles traveling on the Palmira-Luján de Cuyo segment bypass (light trucks)		142	148	152	156	157	161		

³ Snow-related road closures occur on an estimated 40 to 50 days per year (40 days is adopted as the baseline for avalanches, snow, and snow/debris removal), which necessitates the construction of additional snow sheds (source: DNV project profile).

⁴ The construction of 16 snow sheds on the corridor, where 31 critical spots for landslides and the effects of snowfall have been identified, is expected to reduce the number of road closures from 40 to 10 days per year. One shed is slated to be built for the first operation, which should reduce the number of road closures by three days.

Indicators	Unit of measure	Baseline 2016	Year 1	Year 2	Year 3	Year 4	Year 5	Means of verification	Comments
Number of vehicles traveling on the Palmira-Luján de Cuyo segment bypass (heavy trucks)	No. of vehicles per day	519	540	554	569	573	588	DNV management reports with statistics on annual average daily traffic (AADT)	Baseline: AADT on homogeneous segments of existing roadway (53.1 km). Target: AADT on the homogeneous segments of the bypass road is calculated on the basis of the DNV's origin and destination study.
Outcome 3. Reduced operating cost by vehicle type on the Palmira-Luján de Cuyo segment									
Operating cost per km per vehicle on Palmira-Luján de Cuyo segment (cars)	US\$ per vehicle per km	0.48	0.48	0.48	0.48	0.41	0.41	DNV annual activity report, based on HDM-4	Baseline: The total annual operating cost for cars, buses, light trucks, and heavy trucks. Target: With distance reduced to 36.5 km, distance traveled (a decrease of 16.6 km). Source: HDM-4. Modeling in the "with project" and "without project" economic evaluation. HDM-4 output reports on vehicle operating costs. ⁵
Operating cost per km per vehicle on Palmira-Luján de Cuyo segment (buses)		2.23	2.23	2.23	2.23	1.86	1.86		
Operating cost per km per vehicle on Palmira-Luján de Cuyo segment (light trucks)		0.96	0.96	0.96	0.96	0.86	0.86		
Operating cost per km per vehicle on Palmira-Luján de Cuyo segment (heavy trucks)		1.83	1.83	1.83	1.83	1.58	1.58		

⁵ This does not take into account the reduced cost of travel time, since the following indicator is measured by a reduction in travel time. It only takes into account the vehicle operating costs in the modeling of the HDM-4 economic evaluation, comparing "with project" and "without project" costs on the corresponding segment for each scenario.

Indicators	Unit of measure	Baseline 2016	Year 1	Year 2	Year 3	Year 4	Year 5	Means of verification	Comments
Output 4. Reduced average travel time by vehicle type on the Palmira-Luján de Cuyo segment									
Average travel time on the Palmira-Luján de Cuyo segment (cars)	Minutes	36	36	36	36	19	19	DNV annual report. Speeds measured in ex post scenario.	Baseline: Weighted average time that it takes the vehicle fleet to travel 53.1 km is 42 minutes. Target: With distance reduced to 36.5 km, the time will decrease to 24 minutes on average for the entire standard fleet. ⁶
Average travel time on the Palmira-Luján de Cuyo segment (buses)		41	41	41	41	23	23		
Average travel time on the Palmira-Luján de Cuyo segment (light trucks)		44	44	44	44	26	26		
Average travel time on the Palmira-Luján de Cuyo segment (heavy trucks)		45	45	45	45	27	27		
Outcome 5. Reduced operating cost by vehicle type on other segments financed by the operation									
Operating cost per km per vehicle on other segments of the CSCR (cars)	US\$ per vehicle per km	N/A	N/A	N/A	N/A	N/A	N/A	Baseline and targets will be set using surveys, traffic counts, and HDM-4 estimates. DNV annual activity report.	Indicator refers to potential works for bypass roads, rehabilitation, paving of shoulders, passing lanes, and realignment of curves on the Luján de Cuyo-Potrerrillos segment or other segments of the CSCR. ⁷ Baseline and targets are not available (N/A) but will be determined through surveys and HDM-4 estimates at the time that each work becomes eligible.
Operating cost per km per vehicle on other segments of the CSCR (buses)		N/A	N/A	N/A	N/A	N/A	N/A		
Operating cost per km per vehicle on other segments of the CSCR (light trucks)		N/A	N/A	N/A	N/A	N/A	N/A		
Operating cost per km per vehicle on other segments of the CSCR (heavy trucks)		N/A	N/A	N/A	N/A	N/A	N/A		

⁶ The “with project” and “without project” average speeds obtained in HDM-4 were adopted for the baseline and the “with project” alternative: (i) “without project” travel distance = 53.06 km. The weighted average speed estimated in HDM-4 (for 2021 using the baseline alternative in the model) on all “without project” travel distances (5 segments) was adopted, with speeds expressed in km per hour and weighted by length and traffic so as to be representative of both variables. Speeds in 2017 (km per hour): cars = 88, buses = 77, light trucks = 72, heavy trucks = 71; (ii) “with project” travel distance = 36.5 km. The average speed on the Palmira bypass road in HDM-4 was adopted, expressed in km per hour for 2021 for the “with project” alternative (year 2021 with the Palmira bypass road in service): average estimated baseline speed in the “with project” alternative for 2021 (km per hour): cars = 116, buses = 95, light trucks = 84, heavy trucks = 80; and (iii) estimated target = 18-minute reduction in average travel time for the fleet, which equates to a 43% reduction in travel time due to a 16.53 km reduction in travel distance—i.e. 31% of the length of the Palmira bypass road.

⁷ The inclusion of each work not included in the sample will entail addressing the eligibility criteria for the first operation.

Outcome 6. Reduced average travel time by vehicle type on other segments financed by the operation									
Average travel time on other segments of the CSCR (cars)	Minutes	N/A	N/A	N/A	N/A	N/A	N/A	Baseline and targets will be set using surveys, traffic counts, and HDM-4 estimates. DNV annual activity report.	Indicator refers to potential works for bypass roads, rehabilitation, paving of shoulders, passing lanes, and realignment of curves on the Luján de Cuyo-Potrerrillos segment or other segments of the CSCR. ⁸ Baseline and targets are not available (N/A) but will be determined through surveys and HDM-4 estimates at the time that each work becomes eligible.
Average travel time on other segments of the CSCR (buses)		N/A	N/A	N/A	N/A	N/A	N/A		
Average travel time on other segments of the CSCR (light trucks)		N/A	N/A	N/A	N/A	N/A	N/A		
Average travel time on other segments of the CSCR (heavy trucks)		N/A	N/A	N/A	N/A	N/A	N/A		
Outcome 7. Reduced preparation time on projects for financing of works on the CSCR									
Time saved in preparing projects for other works to be financed on the CSCR	Months	0	0	0	3	3	3	DNV report	Baseline: It took eight months to review and follow up on studies for the first CCLIP operation. Target: By preparing studies prior to the project cycle, including technical, economic, and social/environmental considerations, the validation and follow-up period for subsequent CCLIP operations is expected to be reduced to five months.

⁸ The inclusion of each work not included in the sample will entail addressing the eligibility criteria for the first operation.

OUTPUTS

Outputs	Unit	Baseline 2016	Year 1	Year 2	Year 3	Year 4	Year 5	Means of verification	Comments
Component 1. Civil works									
1.1. Kilometers of bypass roads built on the Palmira–Luján de Cuyo segment	km	0	-	-	-	36.5 ⁹	-	DNV annual activity report including approved work certificates for kilometers executed with asphalt pavement completed	Sample work. Segment: San Martín-National Route 7 and National Route 40 intersection; Section: Palmira bypass road, Mendoza province.
1.2. Kilometers of roadway with safety-related works on other segments of the CSCR	km	0	-	-	-	-	45 ¹⁰	DNV annual activity report	The target is indicative and includes potential works for bypass roads, rehabilitation, paving of shoulders, and realignment of curves on the Luján de Cuyo-Potreros segment or other segments of the CSCR ¹¹
1.3. Kilometers of passing lanes built on other segments of the CSCR	km	0	-	-	-	-	4 ¹⁰	DNV annual activity report	The target is indicative and includes potential safety-related work for expansion to create a passing lane on the Luján de Cuyo-Potreros segment. ⁹

⁹ The work for the bypass road is expected to commence in year 1 and to be completed in year 4. Due to the nature of the road work, and because this is merely a works contract and construction lot, there is no intermediate target for number of kilometers built. The 36.5 kilometers built and paved will be delivered in year 5.

¹⁰ The other works are expected to commence in year 2 and to be completed in year 5. Due to the nature of the road work, and because this is merely a works contract and construction lot, there is no intermediate target for number of kilometers built. The 45 kilometers built and paved and the 4 kilometers of passing lane are expected to be delivered in year 4.

¹¹ The inclusion of each work not included in the sample will entail addressing the eligibility criteria for the first operation.

1.4 Number of sheds built	Quantity	0	-	-	-	-	1 ¹²	DNV annual activity report	The target is indicative and includes potential construction of sheds for avalanche protection. ⁹
Component 2. Capacity development and preinvestment									
2.1. Studies prepared for other works on the CSCR	Projects	1	1	1	1	1	1	DNV annual activity report. Six studies are expected to be financed in all.	Output: Preinvestment studies including engineering, economic, and social and environmental studies. The studies are for works financed on future operations using the CCLIP.

¹² Sheds are expected to be built in year 5.

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country:	Argentina
Project number:	AR-O0006 and AR-L1279
Name:	Conditional Credit Line for Investment Projects (CCLIP) and First Operation of the Program to Build Capacity and Improve Safety on the Accesses to the Cristo Redentor order Crossing
Executing agency:	Dirección Nacional de Vialidad [Argentine Highway Administration] (DNV), a decentralized agency of the Ministry of Transportation
Fiduciary team:	Brenda Álvarez and Juan Carlos Lazo (FMP/CAR)

I. EXECUTIVE SUMMARY

- 1.1 The Bank conducted an institutional capacity assessment for the program using the Institutional Capacity Assessment System (ICAS) report and the evaluation of institutional capacity for procurement, which were prepared for this operation in July 2016.
- 1.2 The borrower will be the Argentine Republic, and the executing agency will be the DNV, which will execute program activities through its technical, administrative, and operational units in accordance with its organizational structure and the responsibilities assigned to each area under current rules and regulations. The DNV has fiduciary experience in Bank-financed projects (e.g. 1851/OC-AR, 2698/OC-AR, 3050/OC-AR, 2185/OC-AR, 2655/OC-AR, and 3836/OC-AR).
- 1.3 The program does not include financing from other multilateral institutions.

II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

- 2.1 The DNV has extensive proven experience in executing loans from international lending organizations in general, and from the IDB in particular, not only as an executing agency and coordinator but also as a subexecuting agency for other loans to the former Ministry of Federal Planning, Public Investment, and Services. In late 2015, as a result of changes made by the executive branch, the DNV became an autonomous agency under the Ministry of Transportation. While the DNV is in the process of modifying its organizational structure, including primary responsibilities and activities, its execution capacity was scored at 90%, and its total score on all evaluated systems was 83.94%, indicating a low level of risk.

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 3.1 The institutional capacity assessment of the Bureau of Administration and Finance, now the Administration and Finance Coordination Office (CGAF), conducted using

the ICAS tool yielded a low level of risk related to the DNV's institutional capacity for the program's execution. The most significant opportunities for improvement identified in the ICAS, and which still remain so to this day, were as follows: (i) formalize monitoring mechanisms or procedures for identifying compliance with plans and programs; (ii) as part of the formal annual work plan, include outcome indicators and means of verification, identify parties responsible for executing or coordinating activities, and include risks associated with the programming process; and (iii) no staff training in the code of conduct has been scheduled. Moreover, the project risk management analysis identified no medium- or high-level financial risks.

IV. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF CONTRACTS

A. Conditions precedent to the first disbursement

- 4.1 No fiduciary conditions precedent to the first disbursement are anticipated.

B. Disbursement management

- 4.2 The advances of funds modality will be used for disbursements in accordance with the financial plan covering a maximum of 180 days. A new advance of funds may be requested when justification has been provided for at least 80% of the immediately preceding advance and the balance on any previous advances.
- 4.3 The exchange rate to be used for purposes of rendering accounts will be specified in Article 4.10(b)(i) of the loan contract. To determine the equivalent amount of expenditures incurred in local currency and charged to the local counterpart, or of reimbursements of expenditures charged to the loan proceeds, the exchange rate in effect on the first business day of the month in which the payment was made will be used. Due to limitations in the UEPEX system, the exchange rate for converting disbursements to local currency (Argentine pesos) will be used for expenditures paid with Bank funds or local counterpart funds.

C. Financial supervision

- 4.4 In order to have flexibility in the process of procuring audit services for the operation, the option to commission any of various eligible entities to audit Bank-financed operations will be kept open. When the time comes to begin the procurement process, the executing agency will request from the Bank the shortlist of firms that may be invited to participate.

V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

- 5.1 The fiduciary agreements and requirements for procurement processes establish the applicable provisions for carrying out all procurement processes planned under the operation.

A. Procurement execution

- 5.2 The Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9), both of March 2011, will apply.
- 5.3 Of the country systems approved by the Bank, the information system will be used.

- (i) **Procurement of works, goods, and nonconsulting services.** Works, goods, and nonconsulting services¹ arising under the program and subject to international competitive bidding (ICB) will be procured using the standard bidding documents issued by the Bank. Bidding processes subject to national competitive bidding (NCB) will be executed using national bidding documents agreed upon with the Bank. The program sector specialist is responsible for reviewing the technical specifications for procurement during the preparation of selection processes. No single-source contracting is anticipated in this program.
- (ii) **Selection and contracting of consultants.** Consulting service contracts arising under the program will be executed using the standard request for proposals issued by or agreed upon with the Bank. The program sector specialist is responsible for reviewing the terms of reference for the contracting of consulting services.
- (iii) A single-source contract in the amount of US\$600,000 will be used for continuity of services provided by Geocontrol for completion of Phase II of the studies for renovation of the Libertadores and Caracoles tunnels, in accordance with paragraph 3.10(a) of the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9). Geocontrol is currently carrying out Phase I of the study for retrofitting the Caracoles Tunnel and the galleries connecting it to the Libertadores Tunnel, which is being financed by technical cooperation operation ATN/OC-15803-RG.
- (iv) **Selection of individual consultants.** Individual consultants will be selected on the basis of their qualifications to do the work, based on a comparison of the qualifications of at least three candidates. The program sector specialist is responsible for reviewing the terms of reference for the contracting of consulting services. No single-source contracting of individual consultants is anticipated in this program.
- (v) **Advance procurement.** Advance procurement is expected to be used for the Palmira bypass road in accordance with the Bank's procurement policies, for approximately US\$161.9 million.
- (vi) **Retroactive financing.** The Bank may retroactively finance, as a charge against the proceeds for the first operation, up to US\$20 million (10% of the loan amount) in eligible expenditures incurred by the borrower prior to the date of loan approval for the procurement of works or studies for Components 1 and 2 of the program, provided that requirements substantially similar to those established in the loan contract have been met. Such expenditures must have been incurred on or after 3 August 2017 (the project profile approval date) but may under no circumstances include expenditures incurred more than 18 months prior to the date of approval of the loan by the Bank's Board of Executive Directors.

¹ Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-9), paragraph 1.1: Nonconsulting services are treated as goods.

- (vii) **Other.** Component 1 of this operation calls for the acquisition of land, to be fully financed with local counterpart funds, in accordance with national law.

Table 1. Threshold amounts for international competitive bidding and international shortlists (US\$ thousand)

Works			Goods			Consulting services	
ICB	NCB	Shopping	ICB	NCB	Shopping	International publicity	Shortlist 100% national
≥ 25,000,000	< 25,000,000 ≥ 350,000	< 350,000	≥ 1,500,000	< 1,500,000 ≥ 100,000	< 100,000	> 200,000	≤ 1,000,000

B. Main procurement items

Table 2. Procurement type and amount

Activity	Type	Estimated date	Estimated amount (US\$)
Works			
National Route 7 segment: San Martín–intersection National Route 7 and National Route 40; section: Palmira bypass road. Mendoza province.	ICB	2017	161,900,000
Consulting services			
Technical and preinvestment studies to be used on future projects (3)	QCBS	2017	4,241,176
Phase II of the studies for renovation of the Libertadores and Caracoles tunnels	SSS	2018	600,000

C. Procurement supervision

- 5.4 Procurement will be supervised on an ex ante basis, with the exception of shopping and individual consultants, which will be supervised ex post. Ex post review visits will be carried out every 12 months. Ex post review reports will include at least one physical inspection visit, selected from procurement processes subject to ex post review. At least 10% of the reviewed contracts will be physically inspected during the program.

Table 3. Thresholds for ex post review² (US\$)

Works	Goods	Consulting services	Individual consultants
< 5,000,000	< 500,000	< 500,000	< 50,000

² The thresholds for ex post review reflect the executing agency's fiduciary capacity for execution and may be modified by the Bank in the event of any changes in such capacity.

D. Special provisions

- 5.5 **Measures to reduce the likelihood of corruption.** The provisions of documents GN-2349-9 and GN-2350-9 concerning prohibited practices (multilateral organizations' lists of ineligible firms and individuals) will apply.

E. Records and files

- 5.6 The documentation of procurement processes will be kept in the offices of the DNV, as the agency responsible for program procurement. For ex post reviews, records and files will be kept duly organized, classified, and updated for all documentation generated by procurement processes.

VI. FINANCIAL MANAGEMENT

- 6.1 The Financial Management Policy for IDB-financed Projects (document OP-273-6) and the Financial Management Operational Guidelines for IDB-financed Projects (document OP-274-1) will apply.

A. Programming and budget

- 6.2 The Administration and Finance Coordination Office (CGAF) is responsible for budgeting and payments. Expenditure commitments will be made by the corresponding financial units under the responsibility of the financial coordinator, who reports to the general administration coordinator. As the need arises to expand or reallocate budget items, the executing agency will request the changes and facilitate the process for their approval. Budgetary credits will be executed through quarterly commitment and monthly accrual amounts, which are allocated by the National Budget Office (Ministry of Treasury and Public Finance). No problems are anticipated in terms of budget management, timeliness of local counterpart contribution, or system delays affecting execution.
- 6.3 The timely availability of local counterpart funds must be ensured.

B. Treasury and disbursement management

- 6.4 Disbursements will be made on the basis of a detailed financial plan, a template of which has been agreed upon with the Ministry of Transportation, the Ministry of Finance, and the Cabinet Office. The plan will be shared with the staff of the IDB Programs and Projects Coordination Unit (SCPP).
- 6.5 The e-Disbursements modality will be adopted. This is the IDB Web-based system enabling the SCPP to prepare and send disbursement requests to the Bank electronically, lowering transaction costs and allowing the Bank to review and process the requests sent remotely.

C. Accounting, information systems, and reporting

- 6.6 The DNV uses the Integrated Financial Information System's virtual interphase (e-SIDIF) and the Unified Local System (UEPEX) as its financial administration systems, as do all government agencies in Argentina. These systems help to identify program funds and sources of financing. The UEPEX system, in accordance with the list of accounts approved by the Bank, classifies project investments by expenditure category, both for loan proceeds and for other funds. Reconciliation between the aforementioned systems is not automatic, and therefore manual reconciliations are performed periodically. Cash-basis accounting will be used and

- the International Financial Reporting Standards will be followed when applicable in accordance with established national criteria. The following financial reports will be required: (i) financial plan for up to 180 days following a request for an advance of funds; (ii) audited annual financial statements for the program; and (iii) other reports as required by the fiduciary specialists.
- 6.7 The exchange rate to be used for purposes of rendering accounts for the financing will be the exchange rate in effect on the date of conversion from the approval currency or disbursement currency to the borrower's local currency: Article 4.10, paragraph (b)(i).
- 6.8 For disbursements in a currency other than U.S. dollars and Argentine pesos, equivalence to the loan currency will be determined on the basis of the amount actually disbursed by the Bank in situations involving direct payment or reimbursement of a letter of credit guarantee.

D. Internal control and internal audits

- 6.9 Argentina's national internal control body is the Sindicatura General de la Nación [General Accounting Office] (SIGEN). Internal audit of each executing agency is conducted through the Internal Audit Unit (UAI). The UAI, reporting directly to the minister, is responsible for conducting audits and making recommendations in accordance with the powers conferred under Law 24,156 (Financial Administration and Control Systems Act).

E. External control: External financial audit and project reports

- 6.10 In 2011, the Bank completed a diagnostic assessment of government audit practices by the Office of the Auditor General (AGN). This assessment, performed in accordance with Bank guidelines to determine the degree of development of the public finance management systems, concluded by validating the AGN as an auditor of Bank projects.
- 6.11 However, based on the history of timeliness in submitting audited financial statements in recent years, agreement was reached with Argentina in October 2014 to reduce the AGN's portfolio in keeping with its actual compliance capabilities.
- 6.12 In order to have flexibility in the process of procuring audit services for the operation, the option to commission any of various eligible entities to audit Bank-financed operations will be kept open. When the time comes to begin the procurement process, the executing agency will request from the Bank the shortlist of entities that may be invited to participate.

F. Financial supervision plan

- 6.13 The initial financial supervision plan is based on risk and fiduciary capacity assessments conducted on the basis of onsite and desk reviews scheduled for the program and includes the scope of operational, financial, and accounting activities; compliance and legal considerations; frequency; and identification of responsible parties. One inspection visit per year will be made. Disbursements will be reviewed on an ex post basis.

G. Execution mechanism

- 6.14 The executing agency will delegate program execution and management to the Administration and Finance Coordination Office (CGAF), through the SCPP.

Formerly the Projects Coordination Unit, the SCPP has been executing projects financed by the IDB, the Andean Development Corporation, and the World Bank. The PCU has a subunit that is exclusively dedicated to IDB-financed operations, and this subunit will coordinate project activities while taking any action needed for proper execution of project components, procurement processes, and financial administration, as well as to monitor progress and evaluate project outcomes.

H. Disbursement management

- 6.15 The advancement of funds modality will be used for disbursements in accordance with the financial plan covering a maximum of 180 days, and justification for these disbursements will be provided when at least 80% of the corresponding amount has been spent. Disbursements will be requested using the disbursement request form, the project status report, and the financial plan for the next 180 days. The rendering of accounts need not be accompanied by supporting documentation for expenditures or payments, but this does not signify Bank approval of expenditures incurred. Original supporting documentation for expenditures must be available for the Bank to review upon the Bank's request

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/17

Argentina. Conditional Credit Line for Investment Projects (CCLIP) AR-O0006
Program to Build Capacity and Improve Safety on the
Cristo Redentor System Corridor

The Board of Executive Directors

RESOLVES:

1. To authorize the President of the Bank, or such representative as he shall designate, to enter into such agreement or agreements as may be necessary with the Argentine Republic to establish the Conditional Credit Line for Investment Projects (CCLIP) AR-O0006, for an amount of up to US\$524,300,000 chargeable to the resources of the Ordinary Capital of the Bank, to cooperate in the execution of the Program to Build Capacity and Improve Safety on the Cristo Redentor System Corridor.

2. To determine that the resources allocated to the above-mentioned Conditional Credit Line (CCLIP) AR-O0006 shall be used to finance individual loan operations in accordance with: (a) the objectives and regulations of the Conditional Credit Line for Investment Projects approved by Resolution DE-58/03, as amended by Resolutions DE-10/07, DE-164/07, and DE-86/16; (b) the provisions set forth in documents GN-2246-9 and GN-2564-3; and (c) the terms and conditions included in the Loan Proposal for the corresponding individual operation.

(Adopted on _____ 2017)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/17

Argentina. Loan ____/OC-AR to the Argentine Republic. First Operation of the Program to Build Capacity and Improve Safety on the Accesses to the Cristo Redentor Border Crossing.
First Individual Operation under the Conditional Credit Line for Investment Projects
(CCLIP) AR-O0006

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Argentine Republic, as Borrower, for the purpose of granting it a financing aimed at cooperating in the execution of the First Operation of the Program to Build Capacity and Improve Safety on the Accesses to the Cristo Redentor Border Crossing, which constitutes the first individual operation under the Conditional Credit Line for Investment Projects (CCLIP) AR-O0006 approved on ____ 2017 by Resolution DE-___/17. Such financing will be in the amount of up to US\$200,000,000, from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ____ 2017)

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