

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**ARGENTINA**

**FEDERAL PROGRAM FOR REGIONAL TRANSPORTATION INFRASTRUCTURE**

**(AR-L1307)**

**LOAN PROPOSAL**

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## ABBREVIATIONS

CAF	Andean Development Corporation
DPPEESA	Dirección de Programas y Proyectos Especiales con Enfoque Sectorial Amplio [Office of Special Programs and Projects with a Sector-wide Approach]
DPV	Dirección Provincial de Vialidad [Provincial Highway Administration]
EIRR	Economic internal rate of return
ESIS	Environmental and social impact study
ESMF	Environmental and social management framework
ESMP	Environmental and social management plan
FFFIR	Fondo Fiduciario Federal de Infraestructura Regional [Federal Trust Fund for Regional Infrastructure]
GDP	Gross domestic product
MIOPyV	Ministry of the Interior, Public Works, and Housing
MDB	Multilateral development bank
PET	Program execution team
RN	Ruta Nacional [National Road]
RP	Ruta Provincial [Provincial Road]
RVM	Red Vial Municipal [Municipal Road Network]
RVP	Red Vial Provincial [Provincial Road Network]

**PROJECT SUMMARY**  
**ARGENTINA**  
**FEDERAL PROGRAM FOR REGIONAL TRANSPORTATION INFRASTRUCTURE**  
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Financial Terms and Conditions				
Borrower:			Flexible Financing Facility <sup>(a)</sup>	
Argentine Republic			Amortization period:	25 years
Executing agencies:			Disbursement period:	5 years
Ministry of Finance and Federal Trust Fund for Regional Infrastructure (FFFIR)			Grace period:	5.5 years <sup>(b)</sup>
Source	Amount (US\$)	%	Interest rate:	LIBOR-based
IDB (Ordinary Capital):	300,000,000	100	Credit fee:	(c)
			Inspection and supervision fee:	(c)
Total:	300,000,000	100	Weighted average life (WAL):	15.25 years
			Approval currency:	U.S. dollars
Project at a Glance				
<b>Project objective/description:</b> The general objective of the program is to help make the provinces more competitive. The specific objective is to improve the quality of service on the Provincial Road Network and the Municipal Road Network.				
<b>Special contractual conditions precedent to the first disbursement of the loan proceeds:</b> (i) formation of a Program Execution Team under the existing structure of the FFFIR, and contracting and/or appointment of key personnel described in paragraph 3.3; (ii) approval and entry into force of the <a href="#">program Operating Regulations</a> , under the terms agreed upon with the Bank, including as an annex the Environmental and Social Management Framework; and (iii) signing and entry into effect of the Transfer and Financial Execution Agreement between the Ministry of Finance and the FFFIR (paragraph 3.7) See also the special contractual conditions in Annex B to the Environmental and Social Management Report ( <a href="#">required link 3</a> ).				
<b>Special contractual conditions for execution:</b> (i) before transferring loan resources to a program beneficiary province, the FFFIR will sign an agreement with the province for execution of the project in question, on terms satisfactory to the Bank; and (ii) before awarding works at the municipio level, the province responsible for executing the works will sign a legal instrument with the corresponding municipio, to establish the obligations and responsibilities of both parties, including those regarding works maintenance (paragraph 3.8). The deadline for starting works under the program will be three years from the entry into force of the loan contract (paragraph 2.1). See also the special contractual conditions for execution in Annex B to the Environmental and Social Management Report ( <a href="#">required link 3</a> ).				
<b>Exceptions to Bank policies:</b> None.				
Strategic alignment				
Challenges: <sup>(d)</sup>	SI	<input type="checkbox"/>	PI	<input checked="" type="checkbox"/>
			EI	<input type="checkbox"/>
Crosscutting themes: <sup>(e)</sup>	GD	<input checked="" type="checkbox"/>	CC	<input checked="" type="checkbox"/>
			CI	<input checked="" type="checkbox"/>

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

<sup>(b)</sup> 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.

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

<sup>(d)</sup> SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

<sup>(e)</sup> 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, problems to be addressed, and rationale

- 1.1 **Importance of provincial road infrastructure to regional competitiveness.** Argentina's Provincial Road Network (RVP) connects rural road systems, which move production from its source to the national road system, which provides access to the country's main ports and consumer centers. The location of these in the Pampas Region, together with the sheer size of the national territory, result in long transportation distances and high transportation costs,<sup>1</sup> which affect companies' competitiveness.<sup>2</sup> According to the Global Competitiveness Report,<sup>3</sup> Argentina ranks 68th out of 140 countries in quality and availability of infrastructure, and 93rd in highway quality. Argentina also ranks 61st out of 160 countries on the Logistics Performance Index.<sup>4</sup>
- 1.2 **Increased freight.** Increased freight over the last 15 years has resulted in heavier demand on road infrastructure and transportation services, putting pressure on the RVP. Among the freight in the primary sector, which represents close to three-fourths of the volume transported in the country,<sup>5</sup> grain production rose from 37 to 125 million tons per year between 1992 and 2017.<sup>6</sup> Given the low share of the railway in the freight modal matrix (only 5%), the bulk of the growing demand went to the roads.<sup>7</sup>
- 1.3 **Expansion of Argentine cities.** Over the last decade, density in the country's main metropolitan areas fell by 10.8%, and annual growth of urban areas accelerated, rising from a rate of 1.22% to 1.8% per annum.<sup>8</sup> Extrapolating from recent trends, relatively higher growth of medium-sized cities of 50,000 to 750,000 inhabitants is expected.<sup>9</sup>
- 1.4 **Provincial and municipal road infrastructure.** The RVP is 200,475 km long, of which 23% is paved (45,418 km), 20% are gravel roads (41,889 km) and 57% are dirt roads (113,168 km). The RVP is under the jurisdiction of the Provincial Highway Administrations (DPVs), which are decentralized provincial government agencies. The Municipal Road Network (RVM) under the jurisdiction of municipios and

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<sup>1</sup> Müller and Benassi (2014) estimate that nearly 1/3 of the tons transported in the country travel average distances of 300 to 800 km, while 8% of the total travel more than 800 km. Transporte Automotor de Cargas en Argentina: una Estimación de Orígenes y Destinos, 2010.

<sup>2</sup> Transportation costs associated with road infrastructure service quality are one factor contributing to increased competitiveness. Service quality defects, due to poor condition or impassable roadways, cause negative effects on the mobility of inputs and end products, which are reflected by higher transportation costs and longer transportation times.

<sup>3</sup> World Economic Forum, 2018.

<sup>4</sup> World Bank, 2018.

<sup>5</sup> Müller and Benassi, 2014. Ibid.

<sup>6</sup> National Agricultural Technology Institute (INTA, 2018).

<sup>7</sup> Silva and Liautaud (2011) estimate that at least two-thirds of the country's freight volume is transported on the paved national and provincial network. Performance-based Road Rehabilitation and Maintenance Contracts in Argentina. A Review of Fifteen Years of Experience (1996-2010), Transport Paper 36, World Bank.

<sup>8</sup> Ministry of the Interior, Public Works, and Housing (MIOPyV), 2015.

<sup>9</sup> Diagnóstico sobre ciudades y desarrollo urbano. Programa Argentina 2030, Jefatura de Gabinete de Ministros. 2017.

townships, has a length of approximately 390,000 km and covers both urban and rural roads.

- 1.5 **Service quality of road networks.** RVP maintenance standards are generally deficient, with marked variations according to province. While there is no consolidated road inventory,<sup>10</sup> based on DPV estimates,<sup>11</sup> at least 20% of the paved RVP is in poor condition, and paving a significant portion of gravel and dirt roads would be technically and economically justifiable. A survey of agricultural producers found that they perceive the overall condition of the RVP<sup>12</sup> and rural roads to be poor. Because of deficient maintenance and unsuitable geometric conditions for the volumes and composition of current traffic (paragraph 1.2), the RVP offers low levels of service to users. Roads analyzed for the sample in the present operation recorded low circulation speeds, below 25 km/h, due to deterioration of the roadway or their typology, significantly increasing travel times and costs because of use of alternate routes (Table 1).
- 1.6 The accelerated pace and low density of urban expansion (paragraph 1.3) have complicated the provision of infrastructure, including roadways,<sup>13</sup> sidewalks, bike paths, dedicated lanes and shelters for public transportation, that improve mobility conditions. The expansion also results in traffic regulation challenges. In many towns, urban roads provide connections to national and provincial routes, and as a result heavy vehicles circulate in central areas, creating congestion (Table 1).

**Table 1: Service quality in projects in the sample**

**RVP impassability and maintenance challenges.** The 25 km segment of the 98 km Provincial Route (RP) 23 in Entre Ríos between the towns of Pronunciamiento and Villa Elisa is natural dirt, with circulation of 1,000 vehicles per day, 20% of which are heavy vehicles. In the direct area of influence, there are 26 industrial poultry production and logging facilities. In 2018, 30 days of poor passability conditions were recorded on roads due to precipitation, preventing production from leaving the area.

RP1, a 135 km corridor in Catamarca, is a mountain road with a 57 km gravel stretch between Singuil and RP48, which provides access to the tourist town of Aconquija. Passability conditions on this segment are poor 20 days per year due to precipitation and segments of the road with sandy loam soil. Because of the poor conditions on RP1, Aconquija visitors coming from the provincial capital use alternate routes, adding an additional 86 km to their trip.

RP6 and RP8 in Río Negro make up a 185 km corridor linking the low-income Southern region to the Alto Valle located in the north of the province, which supplies the former with food, fuel, and civil, health, and education services. Two thirds of it is in fair condition and 1/3 in poor condition (according to the International Roughness Index), impairing the connectivity of disadvantaged areas in the south and center of the province.

<sup>10</sup> In general, the DPVs do not systematically measure road network conditions. The province of Chaco has comprehensive data, and Jujy, Salta, Tucumán and Santiago del Estero have begun measurements that will be completed in 2019.

<sup>11</sup> Consulted for this document.

<sup>12</sup> According to data from the Fundación Producir Conservando (2016) from 1,200 surveyed cases.

<sup>13</sup> TECHO data (2016) show that 70% of informal settlements, usually located in outlying areas, have no paved roads (3,829 surveyed settlements).

**Traffic and infrastructure regulation in outlying areas of towns in the interior.** The city of Gualeguaychú, third largest in Entre Ríos, has expanded eastward from its downtown in recent years, developing new neighborhoods and settlements without adequate basic services. One of these is the settlement of Calle Las Tropas, recorded in the National Registry of Informal Neighborhoods, which has no paved streets. The main access to the city from National Route (RN) 14, via RP16 is in the south, and the connection to RN136 toward the border crossing with the Eastern Republic of Uruguay is located in the north of the city. The lack of a north-south connection outside the urban center means that tourist and heavy vehicle traffic passes through the most densely populated part of the city to travel between the two points.

- 1.7 **Financing for RVP and RVM maintenance.** The DPVs obtain resources from three sources for road network maintenance: the provincial treasury, Highway Funds, and external contributions (international loans and/or agreements with the National Highway Department). Highway fund contributions are sufficient for routine RVP pavement maintenance needs.<sup>14</sup> DPV budgets, however, are insufficient to carry out rehabilitation and capital investments, such as paving gravel or dirt roads. As a result, investments in initial service-level recovery or improvement is delayed, slowly increasing network deterioration. Municipios face similar financial constraints,<sup>15</sup> which limits their capacity to provide transportation infrastructure and mobility solutions required by the urban expansion (paragraph 1.6).
- 1.8 **Institutional capacity of the DPVs.** Conclusions from a Bank-coordinated road maintenance workshop<sup>16</sup> ([optional link 8](#)) show that the DPVs consider it a priority to strengthen their technical design, planning, and management capacities to improve the quality of projects and RVP maintenance strategies. The lack of technical personnel translates further into weaknesses in works inspection tasks. The new vulnerability scenarios facing the country (paragraph 1.9) present additional challenges for technical training to prioritize and design projects to ensure the resilience of the RVP and RVM. It is worth noting that these institutional weaknesses reflect, in part, the limited budgets allocated to the DPVs.
- 1.9 **Climate change.** In recent years Argentina has been subjected to more recurrent extreme climate phenomena, in particular increased precipitation.<sup>17</sup> A recent World Bank study<sup>18</sup> estimated that the cost of the climate change-caused damages and disruptions to road infrastructure represents 0.34% and 0.32% of annual GDP from river and urban flooding, respectively. In the road sector, this means greater demands on hydraulic works and on embankment and pavement maintenance. Due to structural characteristics (paragraphs 1.4 and 1.5), passability of the RVP is especially vulnerable to precipitation, particularly on unpaved segments. (Table 1).

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<sup>14</sup> Highway funds receive 14% of the fuel tax. In 2018, US\$345 million was distributed among the 23 provinces and the city of Buenos Aires. With 45,418 km of paved roads in the RVP, that sum covers a maintenance cost of US\$7,600/km, which is aligned with the average cost of these works in 11 CREMA contracts executed in different Argentine provinces.

<sup>15</sup> From 1993 to 2013, national tax collection in relation to the gross domestic product (GDP) grew more than 70%, while municipal fees, taxes, duties, and contributions grew at less than 20%.

<sup>16</sup> RVP maintenance management workshop (June 2015, loan 3050/OC-AR), 17 DPV teams participated.

<sup>17</sup> Rainfall volume rose by 20% from 1961 to 2010 (World Bank. Argentina - Country Environmental Analysis, 2016).

<sup>18</sup> Ibid.



- 1.10 **Gender equity.** Rates of female labor participation in the construction and transportation industry are very low at 3.6% and 9%, respectively, especially compared to the education and domestic work sectors, where women make up more than 70% of the workforce.<sup>19</sup> Such occupational segregation adversely affects women who, because they are concentrated in highly female-dominated sectors, tend to have lower salaries than those in traditionally male-dominated sectors. Low female participation in infrastructure sectors also results in policies and programs that do not consider their needs, limiting their sustainability and sound performance.<sup>20</sup> It is therefore essential to raise awareness and train executing teams on gender issues, to prevent policies and interventions from perpetuating inequalities between men and women.
- 1.11 **Inclusion and diversity.** According to National Statistics and Census Institute (INDEC) data, 10.2% of the Argentine population has some type of disability. In many cases, the restrictions people with disabilities face when using transportation services limit their access to services and job opportunities. It is therefore important to introduce design standards in transportation infrastructure to encourage universal access to a broad spectrum of passengers.
- 1.12 **Identifying the problem.** The RVP and RVM register low quality of service in their operation (paragraphs 1.5 and 1.6 and Table 1). The maintenance deficit and low levels of paving increase vehicle operating costs (paragraph 1.29), restricting local competitiveness due to limitations that impede freight mobility,<sup>21,22</sup> service development, connectivity of remote areas, and outlying areas of urban centers, and traffic regulation in the latter two (Table 1). The sources of the problem include limited investment due to budgetary constraints (paragraph 1.7) and institutional capacity challenges (paragraph 1.8) provinces and municipios face in making such investments. Added to these are the effects of climate change (paragraph 1.9) on vulnerable road infrastructure, which lacks the necessary resilience standards.
- 1.13 **Strategy of the Argentine government.** Given the constraints provinces face in making infrastructure investments (paragraph 1.7), the Argentine government has decided to encourage financing improvements to the RVP and RVM to boost the country's competitiveness. In this context, Argentina has asked the Bank to prepare a federal investment program to build up a stable source of financing and promote the necessary training in provincial agencies to achieve the stated goals in a sustainable way.

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<sup>19</sup> Ministry of Labor, Employment, and Social Security, Permanent Household Survey (2017).

<sup>20</sup> See: Hunt, V. et al. (2015). *Diversity Matters*. McKinsey & Company; Ernst and Young (2016). *Women in Power and Utilities*; Catalyst (2013). *Is Gender Diversity Profitable? Evidence from a Global Survey*. Peterson Institute for International Economics; and Barkat, A. (2002). *Economic and Social Impact Evaluation Study of the Rural Electrification Program in Bangladesh*.

<sup>21</sup> This especially affects large-scale agriculture, which has a high impact on the freight matrix (paragraph 1.2). For a distance of 500 km, the land fleet represents 32% of wheat producers' gross income, 44% for sorghum, 35% for corn, and 18% for soya. Incidencia del flete terrestre en la producción agrícola, 2014-2018. Bolsa de Comercio de Santa Fe (2018).

<sup>22</sup> The logistic costs to export a ton of soya from Argentina to Shanghai are 68% higher than from the United States (Gautier, Carruthers, and Millán Placci. 2016. *Logística de la soja en Argentina, Uruguay y Paraguay*. World Bank). Transportation costs of finished products, such as wine, are also high. According to Argentine Chamber of Commerce data for 2016, the land freight to export a 20-foot container from Argentina was US\$0.21 per bottle, compared to US\$0.07 from Chile.

- 1.14 **The Federal Trust Fund for Regional Infrastructure (FFFIR)**<sup>23</sup> operates under the MIOPyV, with the objective of assisting the provinces and the State in financing economic and social infrastructure projects.<sup>24</sup> It prioritizes investments that favor national integration, reduced socioeconomic inequality, regional development, and trade. The collateral for FFFIR loans to the provinces will come from income from revenue-sharing funds (federal taxes to be distributed to the provinces), resulting in a loan portfolio with low credit risk. Projects are currently underway in 14 provinces, which have an organizational structure, review processes, and infrastructure project monitoring. These are supported by information systems with a suitable level of development for contract management and monitoring the progress of works. The FFFIR has proved to be an efficient financing vehicle for subnational projects, and therefore the Government of Argentina supports capitalization options to increase its lending capacity.
- 1.15 **Proposed interventions.** These consist of RVP highway improvement and rehabilitation works and urban road works to facilitate traffic regulation on the RVM, and providing infrastructure for public transportation and non-motorized transportation (sidewalks and bike lanes) in municipios (paragraph 1.23). A significant sample of projects was identified, which is presented in Map 1 and Table 1. The program will also strengthen provincial technical and operational capacities with an FFFIR-run training program, to promote improvements in their planning, assessment and technical and socioenvironmental project design, contract management and conservation of assets. Training will include sustainability and climate change resilience criteria and a module on gender diversity in the construction sector (paragraphs 1.10 and 1.24). The program will promote the development of quality engineering projects, incorporating high standards of design for road safety and climate change adaptation of the infrastructure, and design criteria to facilitate accessibility for persons with disabilities<sup>25</sup> to urban roads, providing preinvestment funds the provinces can afford (paragraph 1.23). Lastly, it will strengthen inspection activities and technical and socioenvironmental oversight of the works, committing funds to this end (paragraph 1.23).

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<sup>23</sup> By Law 24,855 of 1997. It was capitalized with income from the privatization of Banco Hipotecario Nacional [National Mortgage Bank].

<sup>24</sup> Approximately 50% of its portfolio is transportation projects, 17% housing, 16% water and sanitation, 14% public buildings, and 3% energy.

<sup>25</sup> For example, incorporating sidewalk ramps with appropriate grades.

**Map 1: Projects in the sample**



**Table 1. Projects in the sample**

Province	Project	Description <sup>26</sup>
<b>Catamarca</b>	RP1. Basic work and paving. Segment: RP18 (Singuil) Junction – RP48 Junction (Aconquija)	Basic work and paving of the 46 km gravel stretch, with a 6 m-wide paved surface and 1.5 m shoulders on both sides. Because of the location in mountainous terrain, the road platform will be widened to improve safety conditions. The project includes the construction of two bridges: one a 40 m long bridge over the Singuil River, and the other a 66 m bridge over the Pucará River. New culverts and three speed humps will also be built.
<b>Entre Ríos</b>	RP23. Basic work and paving. Pronunciamiento – Villa Elisa segment	25 km of basic work and paving. This includes construction of relief roads in Pronunciamiento and Primero de Mayo to divert heavy vehicle traffic away from both urban areas. It also encompasses construction of feeder roads at the entrance to Villa Elisa and access ramps to schools and a production facility.
	Galeguaychú Bypass	Paving and improvement of 11.23 km of the existing periurban road (the surface of which is currently gravel or dirt, depending on the segment). This will divert heavy-vehicle traffic circulating through the center of the city and will improve the connectivity of the city's western neighborhoods. The bypass will be an avenue with two lanes each way, with a median strip, and will include bike paths, footpaths, storm drain works, and new intersections with interconnecting routes (RP42, RP16, and access to the Av. Gral. Urquiza) with turn lanes and stoplight-controlled traffic.

<sup>26</sup> Reports ([optional links 2, 3, 4](#) and [5](#)) present the technical details of the projects.

Province	Project	Description <sup>26</sup>
Río Negro	Patching and rehabilitation. RP6 and RP8	Patching and repaving works on 114.4 km with a new asphalt concrete layer and maintenance with asphalt sheets in specific sectors (according to structural needs). Includes the corresponding pavement markings and road signs. A 12.6 km bike path will be built at the access to the town of General Roca. Existing culverts will be repaired and new ones built. The work would improve drain operation, and stabilize culverts (reconstruction of headwalls and protections against scouring downstream).

- 1.16 **Sustainable infrastructure** The program will incorporate [IDB Sustainable Infrastructure Framework](#) criteria, to incentivize FFFIR-financed projects to incorporate sustainability standards—including but not limited to: take into account disaster risks and climate change resilience (paragraph 1.9), efficient use of materials, and gender considerations (paragraph 1.10). The specific procedure for applying said principles will be set forth in an annex of the program Operating Regulations (paragraph 3.5). The training program for the provinces (paragraph 1.24) also plans to present practical tools and methodologies for applying such criteria to the design and prioritization of their projects. This will allow provinces to build their capacities to design and execute more sustainable projects, and the FFFIR to identify, finance, and properly support their development ([optional link 14](#)).
- 1.17 **Innovation:** The operation includes application of the sustainable infrastructure framework to FFFIR-financed projects, as well as improving the digital tool for work oversight by the technical team (paragraph 3.6). This tool will standardize the checklist of the primary technical and socioenvironmental aspects that the FFFIR should analyze during visits to the works. The tool is expected to present the information from such visits in a standardized, graphical format.
- 1.18 **Rationale for the interventions.** Evidence shows that investments aimed at improving transportation infrastructure quality generate positive economic and social impacts, by reducing travel costs and times, facilitating producers' access to new markets, and promoting the competitiveness of economies.<sup>27</sup> According to IDB estimates for Argentina, investments in improved service along unpaved segments of the RVP could generate savings in the cost of transporting primary products.<sup>28</sup> Roadway investments in Nicaragua fueled increases in agricultural production between 2006 and 2011.<sup>29</sup> Urban transportation improvements also translate into potential productivity and competitiveness gains.<sup>30</sup>

<sup>27</sup> For a review of the general literature, see: Taotao (2013) *Impacts of Transport Infrastructure on Productivity and Economic Growth: Recent Advances and Research Challenges*.

<sup>28</sup> The unpublished manuscript *Estrategia para la Mejora del Servicio de Tránsito de los Caminos Rurales de Argentina* (E. Travaglianti, IDB, 2016) proposes strategies for improving productive road systems in 1,000 km units. The reduction in transportation cost, expressed as t-km, in "with project" scenarios is 7% for grains, 3% for beef, and 14% for dairy.

<sup>29</sup> Project Completion Report, loan 1796/SF-NI.

<sup>30</sup> Due to increased productivity in mobility and increased competitiveness of economic agents in the cities (resulting from more efficient and effective access to production inputs by businesses).

- 1.19 **Bank experience and lessons learned.** The Bank has ample experience financing RVP improvements. In the last 15 years, it has approved eight operations<sup>31</sup> for more than US\$2.5 billion, which supported improvements on more than 1,200 km.<sup>32</sup> The main lessons learned during execution of these projects, which have been incorporated into the design of this operation are: (i) strengthening works inspection and supervision mechanisms supports greater efficiency in execution; (ii) promoting training on road project design and management and on infrastructure sustainability makes it possible to build the technical capacities of sector entities and translates into better project quality; and (iii) ensuring solid engineering designs avoids delays in bidding and project modifications during works implementation. The Bank has applied these lessons, respectively, by: (i) subnational agencies adopting a works management guide and establishing inspection team profiles based on preestablished criteria, prior to adjudicating works (paragraph 3.6); (ii) agreement about the works supervision protocol by the FFFIR; (iii) design and execution of training modules for provincial agencies and specific actions to strengthen the FFFIR; (iv) financing preinvestment studies within the civil works component; and (v) detailed technical review of projects in the sample.
- 1.20 **Strategic alignment.** The program aligns with the IDB Group Country Strategy with Argentina 2016-2019 (document GN-2870-1), with the strategic objective of improving infrastructure for investment and inclusion. The program is also consistent with the Update to the Institutional Strategy 2010-2020 (document AB-3008) and is aligned with the development challenge of Productivity and Innovation, by promoting investments that facilitate infrastructure connectivity at the national level and boost economic productivity through more efficient transportation operations. The program aligns with the crosscutting issue of Climate Change and Environmental Sustainability, given that it includes adapting the hydraulic design of masonry works and embankments of the financed works to the new rainfall and runoff scenarios, which is consistent with the Climate Change Sector Framework (document GN-2835-8). In accordance with the [MDB joint methodology](#), 3.03% of operation resources will be invested in climate change mitigation and adaptation activities. These resources support the IDB Group climate financing target. The program also aligns with the crosscutting issues of Gender Equality and Diversity, by offering training to promote greater female labor participation in the construction sector (paragraph 1.24); and Institutional Capacity and Rule of Law, because provincial officials will be trained in road infrastructure management (paragraph 1.24). The program contributes to the Corporate Results Framework 2016-2019 (document GN-2727-6) through the indicator on “roads built or upgraded.”
- 1.21 The program is consistent with the Sustainable Infrastructure Strategy for Competitiveness and Inclusive Growth (document GN-2710-5), with the strategic principle of planning, building, and maintaining road infrastructure to provide quality services that promote sustainable and inclusive growth. It is also consistent with the Transportation Sector Framework (document GN-2740-7), as it will rehabilitate and improve road network conditions, ensuring the full use of existing assets, increasing

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<sup>31</sup> Loans 1851/OC-AR, 1914/OC-AR, 2185/OC-AR, 2491/OC-AR, 2655/OC-AR, 2698/OC-AR, 3050/OC-AR, and 4779/OC-AR.

<sup>32</sup> The Bank has financial instruments to complement the investment loans. An example is the Contingent Credit Line for Natural Disasters. In January 2019, the Bank approved a line of this type for Argentina that could cover nonrecurring road infrastructure costs arising from natural disasters.

safety and coverage, and promoting quality transportation services. The operation is included in the 2019 Operational Program Report (document GN-2948).

## **B. Objectives, components, and cost**

- 1.22 **Program objectives.** The general objective of the program is to help make the provinces more competitive. The specific objective is to improve the quality of service on the RVP and RVM. To achieve this objective, the program will include the components listed below.
- 1.23 **Component 1. Civil works (US\$292.5 million).**<sup>33</sup> Through the FFFIR (paragraph 3.2), it will finance: (i) RVP improvement and rehabilitation works (paving, widening, and lane additions);<sup>34</sup> (ii) RVM works (paving, road widening, bypasses, and improvement to urban approaches, sidewalks, bike paths, traffic lights, and road safety works);<sup>35</sup> (iii) technical and socioenvironmental inspection consulting on the works, to be contracted by the provinces based on their needs, for adequate inspection of the works; and (iv) preinvestment studies, to be contracted by the provinces to develop or strengthen project designs and conduct assessments of disaster risks, vulnerability analyses or impact studies, and socioenvironmental project plans, among others.
- 1.24 **Component 2. Institutional strengthening (US\$3 million).** This component will finance the design and implementation of trainings for provincial officials (DPV and other agencies involved in implementing public works). Both activities will be the responsibility of FFFIR. Trainings will focus on the following, although other topics may be added during execution: (i) sustainable road infrastructure design methodologies and tools, including climate resilience; (ii) road maintenance management; (iii) gender equity in the construction sector;<sup>36</sup> (iv) design and management of road works contracts (including a chapter on Bank procurement policies); (v) socioenvironmental project management (presenting Bank policies on the topic); (vi) economic assessment tools for projects; and (vii) incorporation of road safety criteria in highway design. It will also finance development of the FFFIR's information systems<sup>37</sup> to facilitate monitoring tasks of the works in portfolio.
- 1.25 **Program administration and management (US\$4.5 million).** This will finance: (i) FFFIR program administration costs, to include contracting the necessary professionals to strengthen the FFFIR team in the areas of technical project management and fiduciary management; (ii) monitoring and evaluation; and (iii) external financial audit.
- 1.26 **Representative sample and project eligibility criteria.** To evaluate the program, a sample of projects representative of the type of works to be financed under the program (Table 1 and [optional links 2, 3, 4, and 5](#)) and their expected socioenvironmental impacts was analyzed. The investment value is 30% of the

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<sup>33</sup> There are no plans to use program resources to finance expropriations, or procurement of land or property needed for construction of the planned works.

<sup>34</sup> Three sample projects were identified for this section, described in Table 1 and in [optional links 2, 3 and 5](#).

<sup>35</sup> The Gualeguaychú bypass was identified as a sample project (Table 1, [optional link 4](#)).

<sup>36</sup> The course will present the business case for why gender inclusion is key for the sector and guidelines and concrete examples of projects that consider that perspective.

<sup>37</sup> It will consider adequate cybersecurity standards.

program amount and is supported with technical designs and socioenvironmental and economic viability assessments ([optional links 2, 3, 4, 5 and 1](#)). Future projects to be financed under Component 1 must have the Bank's no objection and will meet the following eligibility criteria:<sup>38</sup> (i) will be RVP highway improvements on roads that connect to some point on the national road network, or to other RVP road(s) of a similar level of service as the proposed project, or works that support traffic regulation and improved mobility on the RVM; (ii) will have an economic internal rate of return (EIRR) equal to or greater than 12%; and (iii) meet the socioenvironmental requirements set forth in the Environmental and Social Management Framework (ESMF) ([optional link 9](#)), excluding Category "A" projects.

- 1.27 **Beneficiaries:** Based on the population of the towns within the area of influence of the projects, the total beneficiaries of the sample works were estimated to be 184,118 people. Direct beneficiaries are the users of the roads post-improvements, reaching 15,311 people per day.<sup>39, 40</sup>

### C. Key results indicators

- 1.28 **Results and indicators.** The expected outcome of improved quality of service on the RVP will be verified through the following indicators: (i) average vehicle operating cost (constant US\$/vehicle-km); (ii) average travel time (minutes of travel per 100 km segment by type of vehicle<sup>41</sup>)<sup>42</sup> and (iii) partial traffic disruptions (days of partial disruption on the road by number of points with partial disruption). The outcome of improved quality of service on the RVM will be verified through the following indicator: (iv) users' travel time (minutes/user).
- 1.29 **Technical and economic viability.** The Bank visited the projects in the sample and reviewed their respective technical and economic feasibility studies, and based on this made comments that were incorporated into those studies. The economic viability analysis ([optional link 1](#)) lists and estimates project costs annually, as well as the benefits in "with project" and "without project" scenarios, considering a 20-year lifecycle. For RVP interventions, economic benefits were quantified by the generalized transportation cost savings (vehicle operating costs and travel times) and by road maintenance cost savings using the Highway Development and Management 4 (HDM-4) model. For the RVM intervention (Guaqueguaychú bypass), an analysis was performed considering the benefits due to savings in users' travel times, road maintenance costs, and heavy vehicle operating costs.
- 1.30 The results of the economic analyses of the projects in the sample showed a higher EIRR than the 12% discount rate applied. The sensitivity analysis indicates the strength of these in unfavorable scenarios, which included a 20% increase in

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<sup>38</sup> Projects in the representative sample meet the established eligibility requirements.

<sup>39</sup> See Section 2.E of the Economic Assessment ([optional link 1](#)). Direct beneficiaries were calculated based on projected traffic and traffic composition at the start of the operation (2022) of the projects in the sample, and average occupancy factors by type of vehicle: (i) cars and trucks: 2 people/vehicle; (ii) buses: 32 people/vehicle; and (iii) trucks: 1.5 people/vehicle.

<sup>40</sup> Total program beneficiaries (considering future projects) were estimated extrapolating the number of beneficiaries per km of the projects in the sample. That total was 487,200 people. See page 44 of [optional link 1](#).

<sup>41</sup> Light vehicles, buses, and light and heavy trucks.

<sup>42</sup> Indicators (i) and (ii) will have different targets for new paving works and rehabilitation works.



investment costs, a 20% reduction in benefits, and a combination of a 15% investment cost increase and a simultaneous 15% reduction in benefits. A global profitability analysis for the program was also conducted, considering the four projects in the sample, future works,<sup>43</sup> and anticipated additional cash flows for studies, institutional strengthening, and program management.<sup>44</sup> It also has an EIRR of 18% that remains above 12% in the same unfavorable scenarios in the sensitivity analysis of the sample (see [optional link 1](#) for a full analysis and page 107 for a summary of results).

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

- 2.1 Bank financing will take the form of a multiple-works investment loan, given that it will finance independent, but technically similar works, with a five-year disbursement period. The period for the material start of program works not included in the representative sample will be three years from the entry into force of the loan contract, to ensure that they are completed within the disbursement period. The total cost of the program is US\$300 million, 100% of which will be financed by the Bank from the Ordinary Capital.

**Table 2. Estimated program cost**

	Itemization	IDB total
<b>1</b>	<b>Component 1. Civil works</b>	<b>292,500,000</b>
1.1	RP1 Catamarca basic works and paving: RP18 Junction (Singuil) - RP48 Junction (Aconquija)	31,750,000
1.2	RP23 Entre Ríos basic work and paving: Pronunciamento – Villa Elisa	22,500,000
1.3	City of Gualeguaychú Highway Bypass, Entre Ríos	22,260,000
1.4	Rehabilitation of RP6 and RP8, Río Negro	14,740,000
1.5	Other RVP improvements	145,350,000
1.6	Other RVM improvements	46,900,000
1.7	Technical and socioenvironmental inspections of works	6,000,000
1.8	Preinvestment studies	3,000,000
<b>2</b>	<b>Component 2. Institutional strengthening</b>	<b>3,000,000</b>
2.1	Design and implementation of training strategy for the provinces	2,900,000
2.2	Improvements to FFFIR information systems for works management and oversight	100,000
	<b>Program administration and management</b>	<b>4,500,000</b>
3.1	Program administration	4,000,000
3.2	Monitoring and evaluation	50,000
3.3	Financial audits	450,000
	<b>TOTAL</b>	<b>300,000,000</b>

<sup>43</sup> See [optional link 1](#) for the methodology for estimating future works by type (page 68 et seq.).

<sup>44</sup> For a total of US\$16.5 million.



**Table 3. Disbursement projection (in US\$ millions)**

Financing	2020	2021	2022	2023	2024	Total
Component 1. Civil works	38,300,000	95,000,000	59,475,000	59,475,000	40,250,000	292,500,000
Component 2. Institutional strengthening	610,000	650,000	580,000	580,000	580,000	3,000,000
Program administration and management	890,000	890,000	890,000	890,000	940,000	4,500,000
<b>Total</b>	<b>39,800,000</b>	<b>96,540,000</b>	<b>60,945,000</b>	<b>60,945,000</b>	<b>41,770,000</b>	<b>300,000,000</b>

**2.2 Coordination with other funding sources.** The Government of Argentina anticipates making capital contributions to the FFFIR with loans it has requested from the Andean Development Corporation (CAF) (US\$300 million) and the River Plate Basin Development Fund (FONPLATA) (US\$120 million) for programs with similar objectives to this operation, but which will finance separate, independent projects and works from the ones included in this program. Each multilateral lending agency will provide its funding to the Argentine Republic and will oversee execution of this financing by the Ministry of Finance and the FFFIR separately, based on the loan contracts and the corresponding disbursement schedules. During the preparation phase of this operation, however, the Argentine government and the FFFIR have coordinated the activities financed by the multilateral lending agencies to maximize the joint impacts of the loans. A similar execution plan for all the operations was negotiated with the MDBs, and it was determined that IDB standard bidding documents will be used for all works to be financed with external funding sources. Each multilateral lending agency will have its own program Operating Regulations.

## **B. Environmental and social risks**

**2.3 Socioenvironmental impacts and mitigation measures.** During preparation, the Bank and the Ministry of Finance, via the FFFIR, identified a representative sample of four projects representing 30% of the loan value. The direct socioenvironmental impacts and risks are typical for the magnitude of the construction and will be localized and short term (disturbing structures and parcels, excavation of materials, minor disturbances to natural habitat in populated areas, erosion, dust, noise, waste, traffic disruption, occupational health and safety, worker camps), and for which effective mitigation measures exist. There will be no impacts on indigenous peoples nor any large-scale involuntary resettlement. Based on the foregoing, the four projects in the sample have been confirmed as Category B. Since the other projects to be financed under the program are expected to have similar impacts, pursuant to the Bank's Environment and Safeguards Compliance Policy (OP-703), this is classified as a category "B" operation.

**2.4** During loan preparation, an Environmental and Social Impact Study (ESIS) and an Environmental and Social Management Plan (ESMP) were developed for each project in the sample. Each ESIS/ESMP includes a public consultation plan that identified the affected and interested parties by mapping stakeholders. Significant consultations were performed for each project in May and June 2019 through public and specific invitations. The general agenda items for all the consultations included a description of the project, the environmental impacts and measures, and the

complaint response mechanism. Following the consultation events, the ESIS/ESMP were updated and consultation reports prepared, documenting the discussion.

- 2.5 Two projects from the sample will need to acquire lands to expand the right of way. One project when initially being prepared included physical resettlement, but the need for this was later eliminated by modifying the design. Therefore, none of the projects in the sample will require involuntary resettlement. It is still possible that future projects may affect some housing or structures. Accordingly, the following “high” risk was identified: provinces do not appropriately manage involuntary resettlements that may arise in future projects under the program. This will be mitigated by: (i) on projects that require it, preparing a preliminary resettlement plan prior to the call for bids and a final resettlement plan (subject to Bank approval) prior to contract award; (ii) strengthening the socioenvironmental management capacities of the FFFIR and relevant provincial agencies regarding resettlements, and (iii) applying the procedures to be followed for projects involving involuntary resettlements, listed in the program Environmental and Social Management Framework (annex to the program Operating Regulations), pursuant to the Bank’s Operational Policy on Involuntary Resettlement (OP-710). Three projects from the sample show a moderate risk for natural disasters (flooding and landslides). The respective ESIS analyzed the impacts and made recommendations that were incorporated into their respective designs. One of the projects (repaving an existing provincial highway) crosses a protected natural area, however, specific mitigation measures have been included to ensure that there are no significant negative impacts on the habitat.
- 2.6 An ESMF was prepared ([optional link 9](#)), which included guides and procedures to ensure that future works developed under the program meet with both IDB safeguards policies and Argentine regulatory framework requirements. Bank environmental policies (OP-703) do not allow financing of Category A projects.
- 2.7 The ESIS of the projects in the sample, the ESMF and the public consultation reports for the same were published on the Bank’s website.

### **C. Fiduciary risks**

- 2.8 Pursuant to the institutional capacity assessment that was conducted, the FFFIR shows satisfactory levels of development and low risk. The following medium risks were identified: (i) project modifications lacking technical and/or fiduciary grounds to support the changes; and (ii) delays in carrying out procurement processes due to the provinces or the FFFIR not being familiar with the policies. The following respective mitigation measures have been identified: (i) the program Operating Regulations will list the procedures needed to ensure that project modifications have the Bank’s no objection when appropriate; and (ii) the program Operating Regulations indicate the details of the flows and policies applicable to anticipated procurements, and trainings on procurement best practices for the FFFIR and the provinces are planned, which will also take Bank policies into account.

### **D. Other key issues and risks**

- 2.9 **Development risks.** The analysis identified two “high” risks: (i) the projects presented to the FFFIR by the provinces do not have suitable technical development, and (ii) the DPVs do not adequately inspect the works. The following “medium” risks were also identified: (i) FFFIR difficulties in achieving the necessary

coordination with the provinces for adequate project preparation and execution; and (ii) lack of equipment at the FFFIR to address the project's operational needs. The corresponding mitigation measures are, respectively: (i) allocate loan resources to preinvestment studies (engineering designs, economic assessments, socioenvironmental studies) and strengthen DPV technical and socioenvironmental management capacities (paragraph 1.23); (ii) agree to use a work management guide to define inspection activities to be carried out; allocate loan resources for contracting technical and socioenvironmental inspections; define the scope and frequency of work oversight by the FFFIR (paragraph 3.6); (iii) define project approval requirements and execution procedures in the program Operating Regulations; and (iv) the formation of the Program Execution Team (PET), with the minimum defined composition, is a contractual condition for the first disbursement.

- 2.10 **Macroeconomic and fiscal sustainability risks.** The following risk was identified and classified as “medium”: possible increases in project costs due to inflation and fluctuations in the exchange rate. To mitigate this risk, the provinces will be required to prepared itemized budgets, including price analysis, in order to approve the respective financing; periodic monitoring will be performed of the physical and financial progress of the works, and a parametric formula will be used to redetermine the prices agreed to by the FFFIR and the Bank, in the specifications of works for projects to be financed under this operation.

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The Argentine Republic will be the borrower. The program coexecuting agencies will be: (i) the FFFIR, a trust fund under the MIOPyV; and (ii) the Argentine Ministry of Finance, through the Dirección de Programas y Proyectos Especiales con Enfoque Sectorial Amplio [Office of Special Programs and Projects with a Sector-wide Approach] (DPPEESA), or whatever future agency may replace it, having a similar mandate and legal powers.
- 3.2 **Execution plan and involvement of subnational entities.** The Ministry of Finance, through the DPPEESA, will be responsible for requesting and receiving Bank loan proceeds and will transfer them to the FFFIR for program execution. Resources will be transferred via capital contributions to the FFFIR, which the Ministry of Finance will make under the terms set out in the Financial Transfer and Execution Agreement, to be signed between the Ministry of Finance and the FFFIR (paragraph 3.1). The FFFIR will be responsible for overall program coordination, management of all program resources, granting loans to beneficiary provinces, and supervising everything relating to the physical and accounting-financial execution of the works projects to be executed with program resources. Specific works projects will be executed by the provinces (which will be subexecuting agencies of the program). To that end, the provinces<sup>45</sup> and the FFFIR will sign agreements, which will establish, among other things: (i) the resources, rights, and obligations associated with project implementation; (ii) credit repayment mechanisms; (iii) requirements to comply with the Bank's procurement, financial management,

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<sup>45</sup> In addition to the provinces, the jurisdiction of the Autonomous City of Buenos Aires will be eligible to receive FFFIR financing and to implement projects under the program.

- and socioenvironmental policies and prohibited practice standards; and (iv) maintenance obligations for the works once executed. The Bank will perform an ex ante technical review of all projects to be financed and will give its no objection on all multiple-works programs, which will be listed in the program Operating Regulations. Provinces will implement works on the road systems under their jurisdiction. They may also implement works under municipal and town jurisdictions, in which case they will sign legal instruments to coordinate their execution and maintenance, prior to awarding the respective contracts. Municipios and townships are not expected to be subexecuting agencies of program activities or resources.
- 3.3 The PET will be responsible for program coordination at the FFFIR. The team will be established in the framework of the fund's current structure, which will be reinforced by contracting and/or designating specialists to manage operation activities (including on matters of financial management, procurement, and environmental safeguards). The minimum composition of the PET includes: one coordinator, two full-time engineers, a specialist responsible for the training program, an environmental specialist, a social specialist, a financial management specialist and a procurement specialist.
- 3.4 The FFFIR will be responsible for: (i) supervising provincial entities' implementation of and compliance with applicable Bank policies; (ii) program financial administration, using the UEPEX system for accounting records and operations management; (iii) external audit management; (iv) submitting program work plans to the Bank, to include the financial plan, the procurement plan, and the annual work plan, among others; (v) submitting reports (audit, progress, evaluation, socioenvironmental compliance) and other program documents to the Bank; (vi) overseeing the implementation of works and of preliminary studies in the operation; and (vii) acting as liaison with the Bank. For its part, the Ministry of Finance will be responsible for submitting disbursement requests to the Bank, accompanied by supporting documentation prepared by the FFFIR, as set forth in the Transfer and Financial Execution Agreement and in the loan contract.
- 3.5 **Program Operating Regulations.** Program execution will follow the program Operating Regulations, which will define operational aspects in technical, environmental, fiduciary, financial, and other matters. The draft is attached as an annex in [optional link 6](#). The program Operating Regulations harmonizes the procedures to be followed in this operation with the FFFIR's procedures.<sup>46</sup> The program Operating Regulations will provide: (i) coordination and reporting mechanisms between the FFFIR, Ministry of Finance, the provinces, and the Bank; (ii) project presentation and eligibility requirements; (iii) procedures for contracting works, goods, and consulting services; (iv) guidelines for using program resources and financial management; (v) disbursement procedures; (vi) the structure of the PET, identifying key personnel duties; and (vii) a chapter referring to the ESMF (which will include the necessary provisions for projects requiring resettlement).
- 3.6 **Inspection and oversight of civil works.** In order to ensure appropriate oversight of the program-financed works pursuant to the program Operating Regulations, the

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<sup>46</sup> A regulation governing the operation with their own funds and a Procedural Manual for Providing Financial Assistance are in place.

- FFFIR will: (i) use the works management guide<sup>47</sup> ([optional link 7](#)), which will govern the scope of the inspections tasks, the application of which will be the responsibility of provincial executing agencies; (ii) require that prior to adjudicating each work and to the Bank's satisfaction, provincial entities present a professional and technical team assigned to the different work inspection activities pursuant to the aforementioned guide, including socioenvironmental oversight; and (iii) perform program works oversight with the scope and frequency defined in the program Operating Regulations. The information system for FFFIR works oversight (paragraph 1.14) will be strengthened via the design and implementation of a digital tool to facilitate uploading and archiving the main technical and socioenvironmental aspects surveyed during visits. The three previous points will be broken down in the program Operating Regulations.
- 3.7 **The special contractual conditions precedent to the first disbursement of the loan proceeds will be: (i) formation of a PET under the existing FFFIR framework and contracting and/or designation of key personnel described in paragraph 3.3; (ii) approval and entry into force of the program Operating Regulations, under the terms agreed with the Bank, including as an annex the Environmental and Social Management Framework (ESMF); and (iii) signing and entry into effect of the Transfer and Financial Execution Agreement between the Ministry of Finance and the FFFIR.** The first condition is considered essential to assure the Bank that the FFFIR will have a suitable team to initiate program execution. The second condition is necessary to guarantee that coordination among the participating entities is sufficient to execute program activities. The third condition is justified by the importance of signing a legal instrument to define the terms under which the Ministry of Finance will transfer loan resources to the FFFIR.
- 3.8 **Special contractual conditions for execution:** (i) before transferring loan resources to a program beneficiary province, the FFFIR will sign an agreement with the province, for executing the project in question, in terms satisfactory to the Bank; and (ii) before awarding works at the municipio level, the province responsible for executing works will sign a legal instrument with the corresponding municipio, to establish the duties and obligations of both parties, including those regarding works maintenance. These conditions are considered essential for guaranteeing that the terms and conditions provinces executing projects should fulfill are formally agreed to with the FFFIR, and to guarantee that the works under the jurisdiction of the municipios are agreed to and implemented in coordination among the respective provinces and municipios.
- 3.9 **Procurement of works, goods, and services.** Procurements and contracting will be done pursuant to 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)<sup>48</sup> and with the loan contract and procurement plan projections ([required link 4](#)). Procurements will be supervised

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<sup>47</sup> Jointly prepared by the Corporación Vial del Uruguay, CAF, and the IDB.

<sup>48</sup> Both from March 2011.

either ex ante<sup>49</sup> or ex post, as indicated in the procurement plan. Ex post review visits will be conducted every 12 months, the reports will include at least one physical inspection visit, selected from among the reviewed processes.

- 3.10 **Disbursements.** Loan disbursements will be made in the form of advances, the frequency of which will be determined by the project financial programming, to be periodically updated by the PET, pursuant to the Financial Management Guidelines for IDB-financed Projects (document GN-2811), as described in Annex III. The Bank may make a new advance of funds when justification has been provided for at least 80% of the total funds disbursed in advances. Financial review of disbursement requests will be done on an ex post basis, covered in the external audit.
- 3.11 **Retroactive financing.** The Bank may use loan resources to retroactively finance eligible program costs incurred by the borrower prior to the loan approval date, on works, goods, and consulting services up to US\$60 million (equivalent to 20% of the loan amount), provided they have complied with requirements substantially similar to those established in the loan contract. Such expenses have to have been made on or after 16 May 2019 (approval date of the Project Profile), but in no case will include expenses made more than 18 months prior to the loan approval date.
- 3.12 **External audit.** The FFFIR will submit to the Bank, on an annual basis within 120 days from the end of the corresponding fiscal year, the project's financial statements duly audited by the Office of the Auditor General (AGN) or by an independent auditing firm acceptable to the Bank. The cost of the audit will be financed with loan proceeds.
- 3.13 **Maintenance.** Provinces accessing financing for this operation through the FFFIR will be responsible for maintaining and operating the works executed by their respective DPVs. Annual budgets allocated to road system maintenance by the DPVs that will be responsible for the works in the sample are appropriate (see [optional link 1](#), page 117) and the allocation of funds for that purpose is estimated to be adequate in all the provinces (see footnote 14). Maintenance clauses are planned to be included in the agreements the FFFIR will sign with the provinces (paragraph 3.2).

## **B. Summary of arrangements for monitoring results**

- 3.14 The monitoring and evaluation plan ([required link 2](#)) will track program execution in accordance with the progress indicators defined in the Results Matrix, the implementation of proposed activities, and the physical and financial execution of outputs. The following instruments will be used to that effect: (i) the annual work plan, the program execution plan, and the procurement plan; (ii) semiannual progress reports, which will include information about, among other things: progress on indicators on results monitoring and physical and financial program execution; compliance with socioenvironmental requirements; and, cash flow estimates for the following six months; and (iii) a final project evaluation (the project completion report).
- 3.15 The FFFIR will submit a final evaluation to the Bank within 90 days of the date on which 95% of project funds have been disbursed. This evaluation will include, at a

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<sup>49</sup> Applies to all contracting processes with an estimated cost of >US\$25 million for works, >US\$1.5 million for goods and services, >US\$1 million for consulting firms, and all direct contracts.

minimum: (i) an ex post cost-benefit analysis, using the same methodology as the ex ante analysis, and it will include a comparison of the results in order to verify the assumptions and parameters used, all as set forth in [required link 2](#); (ii) results of the financial execution; (iii) achievement of established targets, according to the agreed results indicators; and (iv) compliance with contractual commitment.



Development Effectiveness Matrix		
Summary		AR-L1307
I. Corporate and Country Priorities		
1. IDB Development Objectives		
Development Challenges & Cross-cutting Themes	-Productivity and Innovation -Gender Equality and Diversity -Climate Change and Environmental Sustainability -Institutional Capacity and the Rule of Law	
Country Development Results Indicators	-Roads built or upgraded (km)*	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2870-1	Improvement of infrastructure for investment and inclusion
Country Program Results Matrix	GN-2948	The intervention is included in the 2019 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		7.6
3.1 Program Diagnosis		2.4
3.2 Proposed Interventions or Solutions		3.6
3.3 Results Matrix Quality		1.6
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		3.0
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		1.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		8.5
5.1 Monitoring Mechanisms		2.5
5.2 Evaluation Plan		6.0
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)		
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
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		

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

**Evaluability Assessment Note:** This is a multiple works operation of US\$ 300 million to be executed by the Ministry of Finance and by the Federal Trust Fund for Regional Infrastructure (FFIR). The general objective of the program is to contribute to improving the competitiveness of the provinces. The specific objective is to improve the quality of service of the Provincial Road Network (RVP) and the Municipal Road Network (RVM). The RVP connects the rural networks with the national road network, which provides access to the main ports and consumption centers of the country. The RVP has a length of 200,475 km, of which 23% is paved (45,418 km), 20% are gravel roads (41,889 km) and 57% are dirt roads (113,168 km). Conservation standards are generally deficient. It is estimated that at least 20% of the paved network is in poor condition. From a technical and economic point of view, a large portion of the gravel and dirt roads need paving. The growth of freights, mainly of grains that increased from 37 to 125 million tons per year from 1992 to 2017, and the low participation of railroads in the transportation matrix (5%) have put pressure on the RVP. The RVM is approximately 390,000 km long and includes urban roads and rural roads. In the last decade, the density of the main urban areas of Argentina fell by 10.8% and the annual growth of urban areas increased from an annual rate of 1.2% to 1.8%. In many cities the connection with national and provincial routes is made through urban roads resulting in heavy vehicles circulating in central areas, generating congestion. According to the Global Competitiveness Report, Argentina ranks 62 out of 140 countries in terms of quality and availability of infrastructure, and 93th place in quality of its roads. The project seeks to reduce the following indicators: i) average cost of vehicular operation (light vehicles, buses and trucks), ii) average travel time, iii) partial interruptions of traffic and iv) travel time of users in the roads and urban roads.

The ex-ante economic analysis of the intervention is appropriate. It was carried out in a representative sample of roads and an urban intervention (Guaqueyachú bypass) with reasonable and standard assumptions for this type of project. The sensitivity analysis is reasonable. The net present value of the total works of the representative sample is US\$43.9 million. The total internal rate of return expected from the program is 18%. It includes the works of the sample, additional projected works and the institutional strengthening and management components under reasonable assumptions.

The project evaluation plan proposes to perform an ex-post cost-benefit analysis that is well presented and developed. This type of analysis does not allow to measure the ex-post effectiveness, but the efficiency of the project at its completion.



## RESULTS MATRIX

Objective	The general objective of the program is to help make the provinces more competitive. The specific objective is to improve the quality of service on the Provincial Road Network (RVP) and the Municipal Road Network (RVM).																																									
Expected outcome: (i) Improved quality of service on the RVP and RVM																																										
Results indicators		Baseline			Target			Means of Verification/Comments																																		
Type of works: RVP new paving																																										
Average vehicle operating costs (VOC) <sup>1</sup> (constant US\$/veh-km)		<table><tr><td colspan="2">Vehicle type</td><td>US\$/veh-km (2019)</td></tr><tr><td colspan="2">Light</td><td>1.06</td></tr><tr><td colspan="2">Bus</td><td>7.10</td></tr><tr><td rowspan="2">Trucks</td><td>Light</td><td>2.04</td></tr><tr><td>Heavy</td><td>2.47</td></tr></table>			Vehicle type		US\$/veh-km (2019)	Light		1.06	Bus		7.10	Trucks	Light	2.04	Heavy	2.47	<table><tr><td colspan="2">Vehicle type</td><td>US\$/veh-km (2024)</td><td>% Reduction</td></tr><tr><td colspan="2">Light</td><td>0.57</td><td>-46%</td></tr><tr><td colspan="2">Bus</td><td>3.52</td><td>-50%</td></tr><tr><td rowspan="2">Trucks</td><td>Light</td><td>1.11</td><td>-46%</td></tr><tr><td>Heavy</td><td>1.29</td><td>-48%</td></tr></table>			Vehicle type		US\$/veh-km (2024)	% Reduction	Light		0.57	-46%	Bus		3.52	-50%	Trucks	Light	1.11	-46%	Heavy	1.29	-48%	Ex post economic review	
					Vehicle type		US\$/veh-km (2019)																																			
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Average travel time (minutes of travel on 100 km segment/ vehicle type) <sup>2</sup>		<table><tr><td colspan="2">Vehicle type</td><td>Time every 100 km minutes (2019)</td></tr><tr><td colspan="2">Light</td><td>154</td></tr><tr><td colspan="2">Bus</td><td>167</td></tr><tr><td rowspan="2">Trucks</td><td>Light</td><td>158</td></tr><tr><td>Heavy</td><td>176</td></tr></table>			Vehicle type		Time every 100 km minutes (2019)	Light		154	Bus		167	Trucks	Light	158	Heavy	176	<table><tr><td colspan="2">Vehicle type</td><td>Time every 100 km minutes (2024)</td><td>% Reduction</td></tr><tr><td colspan="2">Light</td><td>74</td><td>-52%</td></tr><tr><td colspan="2">Bus</td><td>80</td><td>-52%</td></tr><tr><td rowspan="2">Trucks</td><td>Light</td><td>79</td><td>-50%</td></tr><tr><td>Heavy</td><td>84</td><td>-52%</td></tr></table>			Vehicle type		Time every 100 km minutes (2024)	% Reduction	Light		74	-52%	Bus		80	-52%	Trucks	Light	79	-50%	Heavy	84	-52%		
					Vehicle type		Time every 100 km minutes (2019)																																			
					Light		154																																			
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	Heavy	84	-52%																																							
Days of partial traffic disruption per point (days of partial disruption x the number of points along the roadway with partial disruption)		50 days <sup>3</sup>			0 days																																					

<sup>1</sup> VOC for the two new paving works in the sample (RP 1 Catamarca, RP 23 Entre Ríos) were taken from HDM-4 model outputs, as well as projected and modeled future works of this type. The methodology for estimating future paving as well as rehabilitation works, is presented beginning on page 71 of [optional link 1](#).

<sup>2</sup> The reduction in travel time on these works was calculated at 1, and the indicator was prorated per 100 km of travel. In the ex post scenario, achievement of the target will be calculated by measuring travel time by the floating car data method for all road works executed under the program. Applying this methodology does not involve high costs, and the DPVs have sufficient capacity to undertake it. For calculation details ([optional link 1](#)).

<sup>3</sup> According to ex ante estimates, difficult traffic circulation conditions are recorded approximately 30 days per year, generating daily partial service disruptions along several points of RP1 in Catamarca, and 20 days per year with partial closures due to rain on RP23 in Entre Ríos.

Type of works: RVP rehabilitation								
Average vehicle operating costs (VOC) <sup>4</sup> (constant US\$/veh-km)								
	Vehicle type		US\$/veh-km (2019)	Vehicle type		US\$/veh-km (2024)		% Reduction
	Light		0.54	Light		0.53		-2%
	Bus		3.23	Bus		3.16		-2%
	Trucks	Light	1.06	Trucks	Light	1.03		-3%
Heavy		1.41	Heavy		1.36	-3%		
Average travel time (minutes of travel on 100 km segment by vehicle type) <sup>5</sup>							Ex post economic review	
	Vehicle type		Time per 100 km in minutes (2019)	Vehicle type		Time per 100 km in minutes (2024)		% Reduction
	Light		71	Light		62		-12%
	Bus		80	Bus		71		-12%
	Trucks	Light	76	Trucks	Light	70		-7%
Heavy		80	Heavy		71	-12%		
Type of works: Approaches, bypasses, and other RVM urban mobility works <sup>6</sup>								
User travel time on urban and periurban works (minutes/user) <b>See Note 1.</b>	29			19			Ex ante and ex post surveys and measurements	

**Note 1:** The baseline and its base are estimates prepared by the municipality of Gualeguaychú. A transit survey will be conducted prior to commencing the works in order to ascertain this information with greater precision.

<sup>4</sup> The baseline was calculated using the HDM-4 model for the sample rehabilitation work (RP6 and RP8 in Río Negro), as well as modeling the future rehabilitation works (hypothetical segments) evaluated. The same model was used to estimate the baseline travel time and targets for this type of work.

<sup>6</sup> Based on program Component 1, works may include access ramps to towns, bypasses, detours, urban street improvements, sidewalk construction, bike paths, passenger shelters, footbridges, urban road safety works, dedicated public transportation lanes, and traffic lights. Depending on the magnitude and type of future RVM works (for example, construction of a new approach to a city), such works may be evaluated with HDM-4 indicators provided for RVP rehabilitation and paving works.

Expected program outputs									
Outputs indicators	Unit of measurement	Baseline	Year					Cumulative target	Means of Verification/Comments
			2020	2021	2022	2023	2024		
Component 1: Civil works									
Km of RVP works (new paving) <sup>7</sup>	Km	0	29.1	59.2	23.4	23.3	15.5	150.5	Technical inspection reports. Records of works delivered
Km of RVP works (rehabilitation)	Km	0	45.7	103.5	52.3	52.3	34.8	288.6	
Km of RVM works	Km	0	4.5	14.1	11.1	11.0	7.4	48.1	
Technical and environmental inspections of contracted works	Consulting	0	2	5	5	5	1	18	Semiannual progress reports
Preinvestment studies conducted	Studies	0	8	8	8	8	8	40	
Component 2: Institutional strengthening									
Training designed for DPVs on technical aspects of road management	Consulting firms	0	1	0	0	0	0	1	Semiannual progress reports
Training designed for DPVs on resilient roadway infrastructure aspects	Consulting firms	0	1	0	0	0	0	1	
Training designed for DPVs on gender equity in the construction/ transportation sector	Consulting firms	0	1	0	0	0	0	1	
DPV or other provincial and municipal officials trained on technical aspects of road management	Individuals	0	0	25	25	15	0	65	
DPV or other provincial and municipal officials trained on aspects of resilient road infrastructure	Individuals	0	0	25	25	15	0	65	Semiannual progress reports
DPV or other provincial or municipal officials trained on gender equity in the construction sector	Individuals	0	0	25	25	15	0	65	
Computerized FFFIR works oversight spreadsheets	Unit	0	1	0	0	0	0	1	
Tablets/laptops loaded with FFFIR oversight reports	Unit	0	5	0	0	0	0	5	

<sup>7</sup> Includes kilometers pertaining to the works in the sample and projected kilometers to be executed with the remainder from the program's "civil works" component. Funds allocated to each type of "future" work will be distributed in the same way as the sample (**76%** for RVP paving and rehabilitation, of which 40% is for new paving, and 60% for rehabilitations; and **24%** for RVM improvements, of which 80% is for approaches and bypasses, and 20% for urban mobility works). See page 68 et seq. of [optional link 1](#) for estimates of the respective costs per kilometer used to estimate outputs beyond the sample.

## **FIDUCIARY AGREEMENTS AND REQUIREMENTS**

<b>Country:</b>	Argentina
<b>Project No.:</b>	AR-L1307
<b>Name:</b>	Federal Program for Regional Transportation Infrastructure
<b>Executing agency:</b>	Ministry of Finance and Federal Trust Fund for Regional Infrastructure (FFFIR)
<b>Fiduciary team:</b>	Marilia Santos and Teodoro Noel (FMP/CAR)

### **I. EXECUTIVE SUMMARY**

- 1.1 Program financing will be from a US\$300 million multiple works investment loan, allocated to transportation projects in the provinces, with the objective of financing public infrastructure works necessary for provincial productive development.
- 1.2 The Argentine Republic will be the borrower, and the coexecuting agencies will be the Ministry of Finance, through the Office of Special Programs and Projects with a Sector-wide Approach (DPPEESA), and the Federal Trust Fund for Regional Infrastructure (FFFIR).
- 1.3 The Institutional Capacity Assessment System (ICAS) was applied to the FFFIR to assess the executing agency's fiduciary capacity (procurement and financial).
- 1.4 The assessment covered the following systems: activities and components programming, administrative organization, personnel management, management of goods and services, financial administration, and internal and external control. The assessment indicated that the FFFIR has the institutional capacity, a satisfactory level of development, and a low level of risk for program execution.

### **II. THE EXECUTING AGENCY'S FIDUCIARY CONTEXT**

- 2.1. Created in 1997, the FFFIR is a trust under the Ministry of the Interior, Public Works, and Housing (MIOPyV), to finance economic infrastructure projects in the provinces.<sup>1</sup>
- 2.2. The financial assistance will be provided as loans authorized via a report from the competent authority<sup>2</sup>, under the framework of Law 27,428. Transfers to the provinces will be made in the form of loans in United States dollars. Transfers to the provinces will be made in the form of loans in United States dollars, and the corresponding repayment will be made to the FFFIR.

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<sup>1</sup> Created by Law 24,855 of 1997.

<sup>2</sup> This report is currently issued by the MIOPyV Provincial Relations Branch of the Department of Provinces and Municipios.

- 2.3. The fiduciary systems used for program execution are the budget system, through the Integrated Financial Reporting System (SIDIF), and the Information and Accounting (UEPEX) system.

### III. FIDUCIARY RISK EVALUATION AND MITIGATING ACTIONS

- 3.1 The ICAS rated the FFFIR overall as having “satisfactory development and low risk,” however, it is important to mention that it has not previously acted as an executing agency for loans with multilateral financing. In this context it is important to strengthen the agency in preparing annual work plans, risk assessment and management for the project portfolio, Bank procurement and financial management policies, Bank-required monitoring reports, and use the UEPEX system.
- 3.2 The Project Team Leader (PTL) applied the Project Risk Management (PRM) methodology to assess the risks of the operation and detected the following fiduciary risks:

Table 1. Fiduciary Aspects of Procurement

Institutional capacity			
Institutional capacity	Satisfactory	Tool:	ICAS
Fiduciary risk			
Fiduciary risk <sup>3</sup>	Medium	Tool:	PRM
Type of risk <sup>4</sup>	Risk	Score	Mitigating actions
Procurement/ Financial Management	Project modifications do not have technical and/or fiduciary grounds to support the changes.	Medium	The program Operating Regulations will detail procedures to ensure that project modifications have the Bank's no objection when appropriate.
Procurement	Delays in carrying out procurement processes because the provinces and the FFFIR are not familiar with the policies.	Medium	Training and monitoring of the executing agency and the provinces  The program Operating Regulations show the breakdown of flows and policies applicable to anticipated procurements

### IV. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF CONTRACTS

- 4.1 The agreements and requirements to be considered in special provisions are included below:
- a. **Procurement.** The Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-9) and Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9) will be applicable to all procurements by the executing agency.

<sup>3</sup> While the total risk is low, actions will be taken to mitigate specific risks that were classified as medium based on the PRM.

<sup>4</sup> Financial management or procurement.

- b. **Disbursement management.** The executing agency will present program financial planning according to the agreed guidelines between the Bank and the country. The minimum percentage of 80% will be required for replenishing the advance of funds.
- c. **Exchange rate.** The Parties agree that the applicable exchange rate is set forth in Article 4.10(b)(i) of the General Conditions. To determine the equivalence of expenses incurred in local currency charged to the local contribution, the agreed exchange rate will be the exchange rate in effect on the first business day of the payment month. To determine the equivalence of reimbursement of expenses charged to the loan, the agreed exchange rate will be the exchange rate on the first business day of the month the reimbursement request is submitted. Given the limitations of the UEPEX system, expenses paid with IDB funds and with local counterpart funds, the exchange rate for converting disbursements to local currency will be used (exchange rate indicated in Article 4.10(b)(i) of the General Conditions).
- d. **Financial supervision:**
  - i. External audit of the program will be performed by one of the Bank-eligible independent auditing firms.
  - ii. The financial plan report will be required to perform any financial oversight in addition to that necessary for processing disbursements and the annual audit.

## **V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION**

### **A. Procurement execution**

- 5.1 Goods, works, and nonconsulting and consulting services will be procured by the executing agency pursuant to policy documents GN-2349-9 and GN-2350-9, respectively. The selection and contracting processes will be reviewed ex ante and ex post, as defined by the respective procurement plan, which will be handled via the Procurement Plan Execution System and will be reviewed and revised by the executing agency based on project needs. Modifications to the procurement plan will obtain the Bank's no objection, prior to carrying out the processes therein. The PTL is responsible for approving and updating the procurement plan during execution.
  - a. **Procurement of goods, works, and nonconsulting services** Contracts for works, goods, and nonconsulting services<sup>5</sup> generated under the project and subject to international competitive bidding (ICB) will be executed using Bank-issued standard bidding documents. Procurements subject to national competitive bidding (NCB) will be executed using national bidding documents agreed upon with the Bank. The project sector specialist is responsible for reviewing the technical specifications of procurements when preparing selection processes. Direct contracts are not anticipated in these categories, but any that may be defined during the program, with their respective

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<sup>5</sup> Document GN-2349-9 paragraph 1.1: Nonconsulting services are treated as goods.

rationale, will be identified in advance, in a timely manner, in the procurement plan, along with any selection processes requiring prequalification of bidders.

- b. **Selection and contracting of consultants.** Consulting services contracts generated under the project will be executed using the standard request for proposals issued by or agreed to with the Bank. The project sector specialist is responsible for reviewing the terms of reference for contracting consulting services. Direct contracts are not anticipated in this category, but any that may be defined during the program will be identified in advance, in a timely manner, in the procurement plan, with their respective rationale.
  - (i) **Selection of individual consultants:** In cases identified in the procurement plan, contracting of individual consultants will be governed by document GN-2350-9, Section V, paragraphs 5.1 through 5.4.
- c. **Use of the country procurement system.** Any system or subsystem subsequently approved will be applicable to the operation. The procurement plan will indicate which contracts will be executed through the approved country systems.
- d. **Financing and retroactive recognition of expenditures.** The Bank may retroactively finance with loan resources eligible expenditures made by the borrower prior to the loan approval date on program works, goods, and consulting services up to US\$60 million (equivalent to 20% of the loan amount), provided they have complied with requirements substantially similar to those established in the loan contract. Such expenditures have to have been made on or after 16 May 2019 (approval date of the Project Profile), but in no case will include expenses made more than 18 months prior to the loan approval date.
- e. **Relevance of the expenditure.** The PTL is responsible for the legitimacy of expenditures, terms of reference, technical specifications, and procurement under the program, which will always require the Bank's no objection.

**B. Thresholds for international bidding and international shortlist (US\$ thousands)**

Table 2. Thresholds

Method	ICB Works	ICB Goods and Nonconsulting Services	International Shortlist for Consulting Services
Threshold	≥25,000,000	≥1,500,000	≥1,000,000

Note: Consulting services processes valued higher than the equivalent of US\$200,000 will be announced on UNDB and Bank websites.

## C. Main procurements

Table 3. Main procurements

Activity	Selection Method	Estimated Date for Bid Call/Invitation	Estimated Amount
Works			
RP1. Basic work and paving. Segment: RP18 Junction (Singuil) – RP48 Junction (Aconquija)	ICB	Q3/2019	31,750,000
RP23. Basic work and paving. Pronunciamiento – Villa Elisa segment	NCB		22,500,000
Guauguaychú bypass			22,260,000
Patching and rehabilitation RP6 and RP8, Río Negro			14,740,000
Firms			
Design a training module on climate-change resilient roadway project design methodologies and tools	QCBS	Q1/2020	40,000
Design a training module on gender in the construction sector			30,000
Design and implement a digital works oversight tool			100,000

\* Click [here](#) to access the procurement plan.

## D. Procurement supervision

- 5.2 Procurements will be supervised on an ex ante basis as indicated in the procurement plan. Ex post review visits will be made every 12 months. Ex post review reports will include at least one physical inspection visit, selected from the reviewed procurement processes.
- 5.3 Ex ante review is required for all works with an estimated cost >25,000,000; goods and services >1,500,000; consulting – firms >1,000,000, and all direct contracts.

## E. Special provisions

- 5.4 **Measures to reduce the likelihood of corruption:** Honor the provisions set forth in policy documents GN-2349-9 and GN-2350-9 regarding forbidden practices. It will also be the executing agency's responsibility to review the list of firms and individuals barred from participating in processes financed by multilateral banks.
- 5.5 **Other special procedures:** Keep the procurement plan updated according to project needs and integrated into project planning.

## F. Records and archives

- 5.6 Documentation of project procurement processes will be archived in the offices of the executing agency, which is responsible for keeping properly organized records and files, classified and updated with all the documentation generated by procurement and contracting processes. The agreed formats and processes described in the program Operating Regulations are to be used to prepare and file project reports.



## **VI. AGREEMENTS AND REQUIREMENTS FOR FINANCIAL MANAGEMENT**

### **A. Programming and budget**

- 6.1 For budget execution at the national level, the FFFIR will be responsible for formulating and programming the annual budget and carrying out all procedures conducive to consolidating the annual budget for approval.
- 6.2 As needs arise for expansions or reallocation of line items, the FFFIR, based on information to be provided by the provinces executing the works under the program, will request budget modifications according to the corresponding internal rules and procedures set forth in the draft [Operating Regulations](#). At the national level, budget credits are implemented through commitment fees accruing quarterly and monthly, and which are assigned by the National Budget Office.
- 6.3 No budget management difficulties are expected to affect execution.

### **B. Treasury and disbursement management**

- 6.4 Disbursements will be made based on a detailed financial plan, the model for which was agreed to with Ministry of Finance and FFFIR authorities.
- 6.5 Each province will open a specific account at Banco Nación for the exclusive use of loan proceeds.

### **C. Accounting, information systems, and reporting**

- 6.6 The FFFIR will use UEPEX as its financial administration system. Accounting records will be done on a cash basis, following the International Financial Reporting Standards, when applicable, according to established national criteria. The following financial reports will be required: (i) financial execution plan for up to 180 days following the request for the advance of funds; (ii) annual audited financial statements, pursuant to Article 7.03(a) of the General Conditions of the loan contract; and (iii) other reports required by the fiduciary specialists.

### **D. Internal control and internal audit**

- 6.7 The national internal control entity is the Office of the Comptroller General (SIGEN). The internal audit of each executing agency is done by the Internal Audit Unit, which reports directly to the minister. The unit is responsible for conducting audits and making recommendations pursuant to the powers bestowed on it by Law 24,156 (Financial Management Law).

### **E. External control: External financial audit and project reports**

- 6.8 External audit of the program will be performed by one of the Bank-eligible independent auditing firms.

### **F. Project financial supervision<sup>6</sup>**

- 6.9 The initial financial supervision plan will be based on the risk and fiduciary capacity assessments made based on onsite and desk reviews planned for the program, including the scope of the operational, financial, and accounting actions, compliance and legal issues, and the frequency and party responsible for the reviews.

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<sup>6</sup> See Guide OP-273-6, Annex I.

- 6.10 The financial plan report will be required to perform any financial oversight in addition to any reports necessary for processing disbursements and the annual audit.

**G. Execution mechanism**

- 6.11 The Ministry of Finance, through the DPPEESA, will be responsible for requesting and receiving Bank loan resources and will transfer them to the FFFIR for program execution. Resources will be transferred via capital contributions to the FFFIR, which the Ministry of Finance will make under the terms set out in the Financial Transfer and Execution Agreement, to be signed between the Ministry of Finance and the FFFIR (see paragraph 3.1 of the loan proposal). The FFFIR will be responsible for overall program coordination, management of all program resources, granting loans to beneficiary provinces, and supervising everything relating to the physical and accounting-financial execution of the works projects to be executed with program resources. Specific works projects will be executed by the provinces (which will be subexecuting agencies of the program). To that end, the provinces and the FFFIR will sign agreements, which will define, among other things: the resources, rights, and obligations associated with project implementation; credit repayment mechanisms; requirements to comply with the Bank's procurement and financial management policies and prohibited practice standards. A breakdown of program execution is found in the draft program [Operating Regulations](#) and the loan proposal.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_\_/19

Argentina. Loan \_\_\_\_/OC-AR to the Argentine Republic. Federal Program for Regional  
Transportation Infrastructure

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 to cooperate in the execution of the Federal Program for Regional Transportation Infrastructure. Such financing will be for an amount of up to US\$300,000,000 from the Ordinary Capital resources of the Bank, 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 \_\_\_\_ 2019)

LEG/SGO/CSC/EZSHARE-1044359933-17909  
Pipeline No. AR-L1307